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THOUGHTS
ON THE
EXPEDIENCY OF ESTABLISHING
A
NEW CHARTERED BANK,
&c. &c. &c.

Price 3s.

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THOUGHTS
ON THE
EXPEDIENCY OF ESTABLISHING
A
NEW CHARTERED BANK,
SUGGESTED BY
THE APPLICATION TO PARLIAMENT
FOR
THE ESTABLISHMENT OF A NEW CHARTERED
MARINE INSURANCE COMPANY,
AND CONFIRMED BY
THE REPORT
OF
THE BULLION COMMITTEE.

By *JOSEPH MARRYAT, Esq. M. P.*

LONDON:

PRINTED BY W. HUGHES, MAIDEN-LANE.

SOLD BY J. M. RICHARDSON, 23, CORNHILL, OPPOSITE THE
ROYAL EXCHANGE; AND BY J. HATCHARD,
190, PICCADILLY.

1811.

PREFACE.

DURING the discussions in the last Session of Parliament respecting the intended New Marine Insurance Company, it appeared to me that many of the arguments urged in support of that establishment, by its leading advocates, the Directors of the Bank of England, might be applied with infinitely greater force in favour of the establishment of a New Chartered Bank ; and on perusing the Report of the Bullion Committee, it occurred to me that such a Bank might be

made the instrument of bringing the notes of the Bank of England to that test, the want of which is the cause of their alledged excess and depreciation, as well as of preventing the evils that, according to the testimony of the Directors themselves, must be expected to arise from the sudden and violent reduction of their issues, whenever the Bank shall be compelled to resume their payments in specie.

The advantages of a free and full discussion of this subject, have been so strongly exemplified in the various Pamphlets which the Report of the Bullion Committee has occasioned, that although aware of the attacks which every man must expect, who ventures to propose any interference with the monopoly of that

powerful Corporation the Bank of England, I have decided to submit my sentiments to the tribunal of public opinion, in order that they may be confirmed if just, or confuted if erroneous.

FEBRUARY 25, 1811.

THOUGHTS
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A
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&c. &c. &c.

In the course of the late Session of Parliament, a petition was presented to the House of Commons, signed by a great number of Merchants of the City of London, professing themselves desirous of being formed into a Company for the purpose of effecting Marine Insurances, and praying that they might be enabled so to do, by a repeal of the exclusive privileges granted to the two existing Chartered Insurance Companies. On this petition being taken into consideration, a Select Committee was appointed, to consider the present state of and means of effecting Marine Insurances; and upon their Report, a Bill was brought in, for the purpose of carrying into effect the object of the Peti-

tioners. The promoters of the intended New Company, however, after having repeatedly postponed the second reading of their Bill, thought proper to abandon it for that Session.

It is unnecessary to enter at length into the merits of this project, which have already been fully discussed, both in and out of Parliament; and which may truly be described as a real attack upon individual exertions, under the cover of a feigned attack upon exclusive privileges. One very extraordinary circumstance, however, attending it, which has hitherto escaped public notice, offers a wide field for observation, namely, that this avowed attack upon chartered rights, was set on foot and conducted, by the very last description of men that might have been expected to come forward on such an occasion, the Directors of Chartered Companies; for a reference to the signatures to the petition already mentioned, to the list of the Committee of the intended New Marine Insurance Company, and to the proceedings in the House of Commons, will shew this to have been the case. Among the subscribers to the petition, are the names of most of the Directors of the great Corporate Bodies; the petition was presented to the House of Commons, by the present Deputy Governor of the Bank of England; and the Bill intended to carry it into effect, was brought in by another Director of that Corporation.

The rights and privileges of all Corporate Bodies, are beheld by the community at large with a jealous eye. Nor is this general prejudice against them without just foundation; because a grant of exclusive privileges to any particular set of men, is injurious to all those by whom those privileges are not enjoyed. The first principle of government, in free and well regulated states, is, that the laws should give equal protection and encouragement to the exertions of every individual, without partiality or distinction. Grants of exclusive privileges are in direct violation of this principle; they establish a system of monopoly and combination, instead of a system of fair and open competition; and they repress that spirit of individual enterprize, which is the true basis of national prosperity. It seems astonishing, therefore, that the members of Corporate Bodies should not be induced, by a sense of common interest, to make a common cause; that they should not strengthen themselves by union, instead of weakening themselves by division; for even if united they may find it difficult to stand, but if divided they must inevitably fall.

Those Directors who urged the abrogation of the charters of the Marine Insurance Companies, on the plea of their being injurious to the public, cannot with propriety oppose the abrogation of the charters of their own Companies, if the same plea

can be maintained against them. They cannot consistently hold a different language in their own case, from that which they held in the case of others. They cannot come forward, on one occasion, to attack chartered rights; and on another, to maintain their inviolability. Short-sighted men, not to perceive, that in setting their hands to the petition to the House of Commons, praying for the repeal of the exclusive privileges granted to the two Chartered Insurance Companies, they were signing the death warrant of their own Companies!

When the charter of any Public Company is attacked, it is the obvious duty of the Directors of that Company, to contend, in the first place, that the exclusive privileges they enjoy, are not incompatible with the general good. If they fail in establishing this point, if they are driven from their out-works, they must then retreat to their citadel, their strong rock of defence; and argue that the case is not to be decided upon as a question of public expediency alone, but that the sacred character of chartered rights, and the regard due to property invested from time immemorial in Chartered Companies, upon the faith of legislative sanction, claim some consideration also. If both these pleas are overruled, they may extract an argument in favour of these Companies, even from the evils they occasion, and urge that it does not

necessarily follow their charters ought to be abrogated, but that true policy rather suggests their being suffered to remain, as beacons to warn unwary legislators of the danger of granting exclusive privileges; for it would certainly be far less injurious to permit the continuance of the few existing Corporations, than to annul their charters, and grant others to new applicants, as was proposed in the late Session of Parliament, on the principle of revoking them also if they proved hurtful or inconvenient to the public. Infinite mischief, indeed, would be done by the adoption of this experimental system: mischief, in the first instance, to the public at large, by multiplying the number of exclusive privileges to their common prejudice; and afterwards, when these privileges were revoked, in consequence of the conviction of their injurious tendency, mischief also to the individuals who had been seduced by the arts of designing men to embark their fortunes in these speculative schemes. Besides, if such proceedings were encouraged, every man would be attempting to supplant his neighbour; every set of men would be seeking to possess themselves of the emoluments of some other set of men; complaints would perpetually be made to the legislature, of the mode in which the business of every established Company was carried on; professions would be made by their competitors, of greater disinterestedness, integrity, or skill; superior parliamentary interest,

or ministerial favour, would lead to a constant succession of these attempts; and society would become one universal scene, of espionage, intrigue, and discord.

The Directors of the Chartered Companies, by their recent conduct, have rested the maintenance of chartered rights on the sole ground of their being consistent with the public good. They have undertaken to defend the out-works which are untenable, and have abandoned the citadel which they might more successfully have defended. Such is the perilous situation into which these Companies are brought, by those to whom the defence of their interests is confided. Unconcerned spectators of these proceedings, might be led to imagine, that some wily and determined enemy of all monopolies and exclusive privileges, had devised this scheme for their ruin; and had held out the shares in the intended New Marine Insurance Company, as a bait for the Directors of the other Companies; a bait, which they most incautiously, and greedily have swallowed. It is now, upon their own principle, a public duty to enquire whether the rights of the Chartered Companies to which they belong, can stand this test; and to bring them to the same ordeal, as that to which they lately brought the two Marine Insurance Companies.

Although the Directors of Chartered Com-

panies ought not to have been the first men to break down the barriers, which were formerly set up to preclude Parliament from interfering with the exclusive privileges of Corporate Bodies; and to admit a principle fatal to the existence of their own Companies; yet this principle stands upon foundations which cannot be shaken, and wants not the aid of their admission. The powers of all Corporate Bodies are derived from Parliament. Parliament, therefore, has a right to enquire into their use and exercise. It becomes also the duty of Parliament, having delegated these trusts, to revoke them, whenever they are perverted from their original intention, and instead of being conducive to the public good, become instruments of public injury, and public wrong.

The charter of the Bank of England is precisely of the same description as the charters of the two Marine Insurance Companies; the exclusive privileges of the Bank being held by the authority of an Act of Parliament, prohibiting all Companies, consisting of more than six persons, from acting as Bankers, and those of the Marine Insurance Companies being held by an Act prohibiting all other societies or partnerships from underwriting policies of insurance upon Marine Risks. If, therefore, it can be shewn that the exclusive privileges of the Bank of England are injurious to the public, it will be obvious that the

Directors of that Corporation were undermining the foundation of their own Company, while they were labouring to annul the charters of the Marine Insurance Companies.

Those who have turned their attention to the affairs of the Bank of England, might have felt some surprise at this Corporation having been so long permitted to make such immense emoluments at so much expence to the public, had they not been aware, that as wealth naturally leads to power, so by means of these very emoluments, this Corporation has also acquired a vast influence. The Minister of the day, is constantly dependent upon the Bank Directors, for advances in anticipation of the public revenue. Mercantile men, who see most into their transactions, depend upon them in like manner for accommodation in the way of discount. Indeed, the credit, and almost the commercial existence of every merchant in this metropolis, is in their hands. Possessing such mighty powers, the Directors of the Bank of England have been looked up to with reverential awe, and a sacred veil has been drawn over their proceedings; but if this veil be removed, it will appear that this Corporation, like all other Corporations, has uniformly consulted its own interests, without paying a just regard to the interests of the public. A short review of the history of the Bank of England will prove the truth of this assertion.

The Bank of England was established in the year 1693,* and in 1696 † another National Bank was established, called the Land Bank. The principle which governed the Legislature in establishing two National Banks, and incorporating two Marine Insurance Companies, appears to have been the same; to guard against monopoly, and to create a competition for the public good: for the National Land Bank Act prescribed, that no person should be concerned in both Banks at the same time, and a similar regulation was enacted with respect to the two Marine Insurance Companies. These two Banks, however, were established for distinct and separate objects: the Bank of England, for the accommodation of the monied interest, and the increase of trade and commerce; the Land Bank, for the accommodation of the landed interest, and the encouragement of agriculture. The transactions of the former were confined by the Legislature to discounting bills of exchange, dealing in bullion, and in foreign gold or silver coin: those of the latter were confined to lending money on landed securities alone. A farther object in the establishment of both Banks, was the advantage of the state; certain advances to be made to Government, being the condition of

* Smollett's History of England, vol. 1. book 1. chap. 4. § 35.

† Ibid. vol. 1. book 1. chap. 5. § 31.

their respective charters. The Land Bank soon miscarried,* as indeed must be the case with a Bank whose capital is in land, not in money; for however solid the security of land may be, it is not in its nature negociable and divisible like money, and therefore can never be made to answer the purpose of a circulating medium. Thus the Bank of England were left without a rival, and have ever since enjoyed the complete monopoly of the money market of this metropolis.

In proportion as the revenue and commerce of the country increased, the profits of the Bank increased also; and, since the suspension of their payments in specie, have become so enormous, that the extent of them has been carefully concealed from the public. According to the constitution of their charter, the Directors are bound to lay before the Proprietors a statement of the profits of the Company, at General Courts, to be held at stated periods; but this regulation has been constantly evaded. The Directors, desirous of increasing the advantages of the Proprietors in some proportion to the amount of their real profits, and yet apprehensive lest too rapid an augmentation of their dividends might attract the notice of Government and the Public, invented the expedient

* Smollett's History of England, vol. 1. book 1. chap. 5. § 39.

of giving the Proprietors a bonus, by making an addition to their capital stock. In 1799 they gave them a bonus of ten per cent. Loyalty Loan. In 1801, of five per cent. Navy Five per Cents. In 1802, of two and a half per cent. ditto. In 1804, of five per cent. ditto. In 1805, of five per cent. ditto. In 1806, of five per cent. ditto. And in 1807, they raised the dividend from seven to ten per cent. The property tax on this dividend is also paid by the Company, which makes it equal to eleven per cent. Since the year 1797, the value of Bank Stock has risen from $127\frac{1}{2}$ to 288 per cent. It has lately fallen to 250, probably from an apprehension of some legislative interference, either with the profits, or the charter of the Bank.

For the better security of the public money, almost all public accomptants are obliged, by Act of Parliament, to pay their balances into the Bank of England. The Directors allowed no interest upon any part of these balances, the average amount of which, Mr. Huskisson has recently informed the public, exceeds ten millions, but charged interest upon all the advances they made to Government, till 1808, when the attention of Parliament being drawn to this subject, by the Report of the Finance Committee, they agreed to lend Government three millions, without interest, during the war. Till then, instead of conforming to the mercantile usage, of calculating interest

upon both sides of the account, and charging interest only upon the balance, they debited the interest on one side, but credited no interest upon any part of the other; and thus, in point of fact, charged the public interest for lending them their own money, as indeed is still the case with seven out of ten millions.

It may be said that this is according to the usage of bankers, though not according to the usage of merchants. It is so; but the Directors of the Bank of England do not act uniformly towards Government in the capacity of bankers, for bankers are satisfied with the advantage they derive from the opportunity of making interest of the money deposited in their hands, and receive and pay without any other consideration or emolument. But the Directors occasionally assume the character of merchants, who charge a commission on receiving and paying; for they charge Government annually a large sum for paying the public dividends, a labour which, on the system adopted by bankers, would be considered as compensated for by the profit derived from the deposit of all the balances of public money: thus the Directors, in their transactions with Government, change characters, and appear sometimes as merchants, sometimes as bankers, as best suits the purposes of the moment. It is proper here to observe, that when the Globe Insurance Company applied for a charter as a

Bank, they offered to transact the business of Government on terms much more advantageous to the public than are charged by the Bank of England; and it is stated in the Evidence annexed to the Report of the Select Committee of the House of Commons, on the high price of Gold Bullion, that the National Bank of the United States of America pays all the dividends of the public debt gratuitously, in consideration of having the privilege of receiving all deposits of the public money.*

The most correct information that can be obtained respecting the profits of the Bank of England, as well as the general mode in which the business of that Corporation is conducted, is to be found in the Report of the Lords' Committee of Secrecy, on the Order in Council of February 26, 1797, relating to the Bank. It appears by the documents annexed to that Report, that at the time when that Order in Council was issued, the Bank had made a permanent advance to Government of the whole of their capital, being

* *Report of Bullion Committee. Evidence of S. Williams, Esq.*
page 105.

“Has the National Bank any privileges above the other Banks?—No other than that of receiving the public monies for duties, &c. The National Bank then is of course exclusively employed to pay the dividends on the public debt?—Certainly. Does that Bank make those payments gratuitously?—Yes.”

11,686,800*l.*; and farther advances on the Land and Malt Taxes, Exchequer Bills, and Treasury Bills, amounting, with interest due, to 10,672,490*l.** Thus Government alone were paying them an interest on nearly double the amount of their capital. It farther appears, that the Bank had funds in their

* *Report of the Lords' Committee of Secrecy, 1797, relating to the Bank. Papers and Accounts, No. 1, p. 74 and 75.*

" Mr. Giles was then examined as followeth; viz. What is the total amount of outstanding demands on the Bank of England, and likewise of the funds for discharging the same?—
" Mr. Giles, in answer, begs leave to refer to the following paper, which is read by the clerk; viz.

THE BANK.

This account made up to 25th February, 1797, inclusive.

Dr.	Cr.
	By advances on Government Securities; viz.
To Bank Notes out .. 8,640,250	On Land and Malt 1794, 5, 6, and 7, <i>l.</i>
To other debts; viz.	On Exchequer Bills, ... 10,672,490
Drawing Accounts, ... }	Treasury Bills of Exchange,
Audit Roll, }	And Interest due,
Excheq. Bills deposited }	By all other credits; viz.
And various other debts }	Cash and Bullion, }
£ 13,770,390	Bills discounted, }
Balance of surplus in favour of the Bank of England, exclusive of the debt from Government to the Bank, at 3 per cent., which is a pledge for the capital }	Money lent, }
3,826,890	And various other articles,
	£ 17,597,280
£ 17,597,280	By the Permanent Debt due from Government for the Capital of the Bank, at 3 per cent. per annum £ 11,686,800

(Errors excepted)
Bank, 4th March, 1797.

WM. WALTON,
Deputy Accountant."

hands, arising either from the balances of public money, or the deposits of individuals, to the amount of 5,130,140*l.*;* on which of course they were making interest also; as well as on the instalments of the loans for the public service, which they usually advanced for the subscribers after the second payment; and on all the bills they discounted, the amount of which is not stated. These profits, too, were made at a period when the issue of their notes, which in the four preceding years had fluctuated between 11 and 13½ millions, † were diminished to 8,640,250*l.*; ‡ and of course when their profits also were diminished, by the amount of the difference of interest between the larger and the smaller sum in circulation.

Since that Report was made, the profits of the Bank have greatly increased; for the exemption from making their payments in specie, has enabled

* Vide Papers and Accounts, No. 1, inserted page 14.

† *Report of the Lords' Committee of Secrecy, Papers and Accounts, No. 10, page 96.*

An Account of Bank Notes in circulation on the 25th February, 1793, 1794, 1795, and 1796, respectively.

1793	£ 11,451,180
1794	10,963,380
1795	13,539,160
1796	11,030,110

(Errors excepted)

Bank, 18th March, 1797. W. WALTON, Deputy Accountant.

‡ Vide Papers and Accounts, No. 1, as above.

them to extend the circulation of their notes with safety, an advantage of which they have availed themselves to a very great extent, having increased the issue of their notes from 8,640,000*l.*, the amount in circulation in 1797, when they suspended their payments in specie, to 21 millions, the amount in circulation when the last return was made to the House of Commons.*

In these remarks upon the profits of the Bank, no notice has been taken, either of that very important branch of business of which they have almost the monopoly, the buying and selling bullion, and foreign gold and silver coin; of their exemption from the stamp-duty on their notes, for a trifling compromise; or of the number of Bank notes constantly destroyed by various accidents. Enough, however, has been said to shew that their profits are very great; and these profits, so far as they are made at the expence of the public, may justly be thought unreasonable, when it is considered that they are exempted from the necessity of paying in specie by an Act of the Legislature. It appears a degree of extortion on their part, to charge Government with interest for notes, which they neither can pay, nor be called upon to pay, while the credit, and indeed the very existence of the Bank, is owing to the interference of Govern-

* Report of Bullion Committee, Appendix, No. 40, p. 192.

ment, who relieved the Company from the necessity of paying, and supported their credit notwithstanding the suspension of their payments, by adding, to use Mr. Pitt's words, "the public security to the security of the Bank."*

On what just pretensions can the Proprietors of the Bank support their claim to their present overgrown emoluments? And if the plea of justice fails, what merits can they urge, to entitle them to any extraordinary degree of favour or forbearance?

The Directors have certainly been ready, at all times, to make advances for the support of Government; but then the security was unquestionable, and the profits of the Company were augmented by their so doing. The Directors imputed the necessity of suspending their payments in specie to the magnitude of their advances to Government, and ascribed the magnitude of those advances to their zeal for the public service. That those advances occasioned the suspension of their payments in specie, is indisputable; but it is equally so, that in making them they forgot the dictates of prudence, and in order to increase the profits of the Company, extended them to an amount wholly unjustifiable. The result was, that, according to their own statement,

* Mr. Pitt's Speeches, vol. 3. page 62.

they had only 6,924,790*l.* assets, (exclusive of the debt due from Government), to pay 13,770,390*l.* debts.* As for the advances to Government, the greater part of them were permanent, and the remainder being made on the future produce of various taxes, on Exchequer and Treasury Bills, could not possibly be repaid till a distant period. Under these circumstances, the Order in Council of February the 26th, 1797, though a measure of absolute necessity, was the consequence of the imprudent conduct of the Bank Directors. In order to ascertain what degree of merit they may justly claim for their regard to public credit, we must enquire how they have conducted themselves upon other occasions. At the time of the run upon the South Sea Company, in the year 1720, they actually agreed with Sir Robert Walpole, the then Minister, to take three millions and a half of that stock at a certain rate; but finding the stock continue to fall, they renounced their agreement, well known by the name of the Bank Contract, "because it was no more than a minute of an agreement, not drawn up in due form, and containing no penalty in case of non-performance of the covenants."† Such was their love for the public good, such their zeal to support public credit, and such their regard to their own obligations, when

* Vide Account, No. 1, inserted page 14.

† Smollett's History of England, vol. 2. book 2. chap. 2. § 27.

they came into competition with their still dearer interest.

If they rest upon the fairness and integrity of their dealings towards the public, how will they be able to justify their long continued practice, of concealing, with a view of converting to their own use, the unclaimed dividends? So tenacious were they of these unprincipled profits, that Bank Clerks were afraid to apprise individuals of unclaimed dividends being due to them, lest they should be discharged from their situations, and be deprived of their bread, for doing an act of justice. At length the interference of the Minister extorted from the Bank Directors the publication of a list of those dividends, which, as Mr. Pitt properly observed, belonged to the public, on whose behalf, and as whose agents, the Bank of England paid them, and not to the Proprietors of that Corporation. He, therefore, after allowing due time to the claimants, appropriated out of them a sum which he considered as an effective residue, to the exigencies of the public service, but which the Directors are so unwilling to give up, that they yet state it in their accounts, as a Loan made to Government without interest.*

This short account of the original establish-

* Report of Lords' Committee of Secrecy, page 97.

ment of the Bank of England, and of the mode in which the business of that Corporation has been carried on, sufficiently proves the necessity of making their affairs the subject of Parliamentary enquiry and regulation; but considerations even of a still more imperious nature than those hitherto adverted to, now call the attention of the Legislature to their conduct. These are detailed in the Report of the Select Committee of the House of Commons, appointed to enquire into the cause of the high price of Gold Bullion, and to take into consideration the state of the circulating medium, and of the exchanges between Great Britain and Foreign Parts.

In the Report of that Committee, it is stated, that the only true and effectual protection to the public against an excess of paper currency, is the obligation on the parties who issue it to pay it in specie at the will of the holder;* that since the

* *Report of Bullion Committee, page 23.*

“ So long as the paper of the Bank was convertible into specie
 “ at the will of the holder, it was enough, both for the safety
 “ of the Bank and for the public interest in what regarded its
 “ circulating medium, that the Directors attended only to the
 “ character and quality of the bills discounted, as real ones and
 “ payable at fixed and short periods. They could not much
 “ exceed the proper bounds in respect of the quantity and
 “ amount of bills discounted, so as thereby to produce an excess
 “ of their paper in circulation, without quickly finding that the
 “ surplus returned upon themselves in demand for specie. The

year 1797, when that protection was taken away by the Bank Restriction Bill being passed into a law, the Bank have extended the circulation of their notes from 8,640,000*l.* to 21 millions; that the Country Banks have also very considerably extended the circulation of their notes; that this increase of the circulating medium enhances the price of every commodity, raises the market price above the Mint price of bullion, and occasions the present unfavourable state of the foreign exchanges. In opposition to these doctrines, the Directors of the Bank, and the advocates for the present system, contend, that the increased quantity of the circulating medium is no proof of its excess; that the amount is not greater than the public necessities require; that the amount of Bank notes issued, cannot operate upon the price of bullion, or on the foreign exchanges; and, therefore, that all the evils complained of must be traced to other causes.

That the value of money, in these kingdoms, has decreased, or in other words, that the price of

“ private interest of the Bank to guard themselves against a con-
 “ tinued demand of that nature, was a sufficient protection for
 “ the public against any such excess of Bank paper, as would
 “ occasion a material fall in the relative value of the circulating
 “ medium. The restriction of cash payments, as has already
 “ been shewn, having rendered the same preventive policy no
 “ longer necessary to the Bank, has removed that check upon its
 “ issues which was the public security against an excess.”

every article has increased in an unprecedented degree, within these few years, is a fact of general notoriety; and coupling this rapid change in the relative value of money and commodities, with the increased circulation of paper currency that has followed the Bank Restriction Bill, it will be difficult to consider them as having no bearing upon each other. In the present state of things, the excess of Bank notes in circulation cannot be returned upon the Bank, as the Governor of that Corporation asserted before the Bullion Committee; for the Directors will give the holders nothing for it, except indeed new notes for old ones; and the demand for discounts furnishes them with the opportunity of replacing those that are paid in, by a constant succession of fresh issues. This excess cannot be exported, and employed in foreign commerce, like specie; and therefore it is necessarily employed in the purchase of commodities at home. The greater amount of notes there is in the market, to purchase those commodities with, the greater will the competition for those commodities be; and the price of them will gradually rise, till their increased value is such as to absorb all the notes in circulation. In some parts of India, small shells, called cowries, are used as a circulating medium. If a violent storm were to throw up a prodigious quantity of these cowries upon the coast, it is obvious that a greater number of them would soon be given in exchange for every other commodity; and just the same effect

is produced here, by the increased manufacture of our paper circulating medium. If we consider Bank notes as being purchased by commodities, instead of considering commodities as being purchased by Bank notes, we shall readily conceive how the increase of their quantity diminishes their relative value. In point of fact, whenever an increase in the amount of the circulating medium of a country takes place, while the quantity of commodities remains the same, an increase in the price of commodities, and a correspondent decrease in the value of the circulating medium, must necessarily follow.

Nor is this evil confined to articles of our own growth and manufacture, but extends to our foreign commerce, by its influence on the foreign exchanges; for when the currency of a country is depreciated, it will no longer purchase the same amount of foreign money as before, to be invested in foreign commodities; but such an increased amount of the depreciated currency must be given, as will counterbalance the extent of the depreciation. Or to put the case in the opposite way: if a merchant on the Continent is offered a bill of exchange upon London, for which he is to receive Bank notes not convertible into specie, those notes can only be invested in commodities here at an advanced price; and therefore he will only take the bill of exchange at such a depreciated rate as

indemnifies him for the advanced price of the commodities. Thus, in consequence of this over-issue of paper currency not convertible into specie, individuals pay a higher price for articles of every description, both foreign and domestic; a heavy loss is sustained by Government in every purchase made for the public service, and in the expenditure of the army and navy on foreign stations; all which must ultimately be made good by additional taxes imposed at home.

Hence too arises the temptation to melt down and export specie; for gold, while circulated here as current coin, passes only at the Mint price of 3*l.* 17*s.* 10½*d.* per ounce; but melted down into bullion, sells for 4*l.* 12*s.* per ounce. In proportion as the exchange falls, the value of bullion rises; for the greater the loss on making remittances in bills of exchange is, the higher price will the merchant give for bullion, as a substitute for bills of exchange.

In support of the theory laid down in the Report of the Bullion Committee, statements have been given of the amount of the Bank notes in circulation, with the rates of exchange at corresponding periods. In January, 1795, the amount of Bank notes in circulation was nearly 13 millions; and the exchange between Hamburgh and London was from 3½ to 6 per cent. against England. In

February, 1797, the amount of Bank notes in circulation was only 8½ millions; and the exchange between Hamburgh and London was between 6 and 7 per cent. in favour of England. By the last returns laid before Parliament, the Bank notes in circulation were 21 millions; and the exchange between Hamburgh and London was 16*l.* 9*s.* per cent. against England.*

Statements have also been given, in order to shew that the quantity of Bank notes in circulation affects the market price of gold. In February, 1797, standard gold was 9*s.* 7½*d.* per ounce below the Mint price: as the Bank increased their issue of notes, it soon rose above the Mint price, and now exceeds it 15 per cent.†

Counter statements have been produced by the Bank Directors, with the view of shewing that the increased issue of their notes has not been regularly followed by a correspondent change in the rate of foreign exchanges, and difference between the Mint price and the market price of gold; but it is obvious that these effects of an increased circulation of paper currency may be retarded or even counteracted, for a time, by other circumstances; and both the preceding reasoning, and the preceding statements, afford strong grounds

* Mr. Mushett's Tables.

† Ibid.

for presuming that such effects will, in course of time, inevitably take place.

It is contended, in the Report of the Bullion Committee, that while the paper currency of a country is convertible into specie, the greatest depreciation in the rate of foreign exchanges that can continue for any length of time, is the amount of the expence of conveying bullion from one country to another; and the average expence of transporting it from Great Britain to the Continent of Europe, is stated in evidence to be 5 per cent.* The actual depreciation is estimated by

* *Report of Bullion Committee, pages 9 and 11.*

“ The preceding answers, and the rest of this Gentleman’s
“ (*Sir Francis Baring’s*) evidence, all involve this principle,
“ expressed more or less distinctly, that bullion is the true
“ regulator both of the value of a local currency and of the rate
“ of foreign exchanges; and that the free convertibility of paper
“ currency into the precious metals, and the free exportation of
“ those metals, place a limit to the fall of exchange, and not only
“ check the exchanges from falling below that limit, but recover
“ them by restoring the balance.

“ It appears to your Committee to have been long settled and
“ understood as a principle, that the difference of exchange re-
“ sulting from the state of trade and payments between two
“ countries, is limited by the expence of conveying and insuring
“ the precious metals from one country to the other; at least,
“ that it cannot for any considerable length of time exceed that
“ limit. The real difference of exchange, resulting from the
“ state of trade and payments, never can fall lower than the

Mr. Huskisson at 15 per cent.* If then the difference, or 10 per cent., and a corresponding increase in the price of all commodities, be considered as the effect of the present over-issue of paper currency, it will be found that the Bank Restriction Bill costs the public as much as the property tax, or 12 millions per annum; and that the continuance of this measure, is just as oppres-

“ amount of such expence of carriage, including the insurance.
“ The truth of this position is so plain, and it is so uniformly
“ agreed to by all the practical authorities, both commercial and
“ political, that your Committee will assume it as indisputable.

“ It was stated to your Committee, by the merchant who has
“ been already mentioned as being intimately acquainted with the
“ trade between this Country and the Continent, that the present
“ expence of transporting gold from London to Hamburgh, in-
“ dependent of the premium of insurance, is from $1\frac{1}{2}$ to 2 per
“ cent.; that the risk is very variable from day to day, so that
“ there is no fixed premium, but he conceived the average risk,
“ for the fifteen months preceding the time when he spoke, to
“ have been about 4 per cent.: making the whole cost of sending
“ gold from London to Hamburgh for those fifteen months, at
“ such average of the risk, from $5\frac{1}{2}$ to 6 per cent.—*Mr. Abraham*
“ *Goldsmid* stated, that in the last five or six months of the year
“ 1809, the expence of sending gold to Holland varied exceed-
“ ingly, from 4 to 7 per cent. for all charges, covering the risk as
“ well as the costs of transportation.”

* *The Question, &c. by W. Huskisson, Esq. M.P. p. 19.*

“ The existing evil, on the contrary, of which the present
“ measure may be reckoned at about 15 per cent., is indefinite,
“ uncertain, and fluctuating, though progressive in its growth.”

sive to individuals as that tax, without being in any degree whatever advantageous to the state.

The advocates for the Bank, without denying the general correctness of the theory advanced by the Bullion Committee, contend that it is not applicable to the present case; and that the high price of bullion, together with the low rate of the foreign exchanges, ought not to be attributed to the increased issue of paper currency, but to an unfavourable balance of trade and payments, occasioned by the great foreign expenditure of Government, and the unprecedented restrictions imposed by the enemy on the importation of British merchandize and produce into the Continent. Mr. Hill* says,

“ I am decidedly of opinion, that since the year
“ 1797, we have drained England by foreign expendi-
“ ture, of a very considerable part of the specie and
“ bullion which at that time remained in it; that
“ though the Bank Restriction Bill, by reducing the do-
“ mestic demand, prevented us from being sensible of
“ the deficiency for some years afterwards, yet our stock
“ is now reduced so low as to be inadequate to the
“ limited demand which at present continues for it;
“ and that this real scarcity of the precious metals in
“ the country, is the genuine cause of the present high
“ price of bullion.”

* An Enquiry into the Causes of the present High Price of Gold Bullion, &c. page 29.

Mr. S. Cock,* treating of the same subject, observes,

“ As therefore we are not exporting gold from the cheap
“ to the dear, but from the dear to the cheap country,
“ all the usual observations about the expence of trans-
“ mission, and the commonly adopted theories on the
“ subject, are inapplicable to the case; which is evi-
“ dently an unnatural one, occasioned by unnatural cir-
“ cumstances, and those arising, not out of the stoppage
“ of payment in specie by the Bank, but the stoppage
“ of importation of British goods on the Continent by
“ Buonaparte.”

Mr. Jasper Atkinson† says,

“ It is in evidence before the Committee, that the un-
“ favourable situation in which we stand, both in re-
“ spect to our metallic currency and the foreign ex-
“ changes, arises out of the state of our payments abroad;
“ and yet they make no mention of such a cause, in
“ their remedial recommendation.”

Perhaps, in this, as in most other disputes, both parties have laid too much stress on the arguments on their own side of the question, and have not allowed due weight to those of their opponents. An unfavourable balance of trade and payments, as well as the excessive issue of a paper currency not convertible into specie, may have

* An Examination of the Report of the Bullion Committee, page 11.

† A Letter to a Member of Parliament, page 6.

contributed to produce the evils complained of. Whether, however, the conclusions drawn by the Bullion Committee, from the present state of the foreign exchanges, and the high price of bullion, be or be not incontrovertible, it is not absolutely necessary to ascertain; for the obvious, and indeed almost undisputed effect of the increase of paper currency, in raising the price of every commodity, justifies the recommendation of the Committee, "that the Bank should resume the payment of their notes in specie, as soon as is compatible with a wise and necessary caution." It appears by official documents, that since that salutary and effectual check upon their issues has been removed, the Directors have more than doubled the amount of their notes in circulation; and it will also appear on farther investigation, that they have so done, by resorting to new measures, incompatible with the general interests of the public.

Previously to the passing of the Bank Restriction Bill, it was a rule with the Bank, never to discount bills for any banker. While this rule was adhered to, no banker could trade upon an artificial capital; and those who kept accounts with him felt a confidence in his solidity, from a persuasion that the accommodation he gave them was furnished out of his own resources. Since the passing of that Act, almost all the bankers have opened discount

accounts with the Bank, and this confidence is much weakened; for a banker may now find the means of making advances to his customers, not out of his own capital, but out of that of the Bank of England; and may even accommodate one set of persons by discounting the bills of others, lodged in his hands merely for the purpose of safe custody.

This new system has been disadvantageous to the bankers themselves; for the facility with which they all procure discounts, and the unwillingness of each to be thought less liberal than his neighbour, have induced many of them to extend their accommodations beyond the bounds of prudence. The unprecedented number of failures that has taken place among them in consequence, has not only lessened the general confidence formerly placed in their solidity, but also the amount of those balances from which their profits are derived.

This new system has very much contributed to increase the number of Country Banks; who are encouraged to extend the issue of their notes, by the facility which it gives them of procuring Bank notes by re-discounting, through the banking-houses in London with whom they correspond, and of negotiating the acceptances of those houses. Accordingly, since the year 1797, the

number of Country Banks has increased, from 230 to 721.*

It may perhaps be said, in order to weaken the force of these observations, that before bankers were allowed to open discount accounts with the Bank of England, they found the means of sending bills to be discounted there, through the medium of their friends. This practice certainly did prevail, but in a very inconsiderable degree, compared with the extent to which bankers now discount with the Bank of England. Some discredit would then have been attached to the constant habit of procuring accommodation by these means; and the money transactions of bankers are on so large a scale, compared with those of the mercantile houses whose names they must use, that the application of the latter for such extensive discounts, together with an examination of the bills themselves, would soon have led to the detection of this practice.

Much would be done towards restraining the

* *Report of Bullion Committee. Evidence of J. H. Tritton, Esq. page 140.*

“Can you state the number of Country Banks in 1797, and at subsequent periods?—It appears from the evidence of Mr. Ellison, before the Committee of Secrecy in 1797, that there were then 230; in the year 1808, I observe there were something more than 600, and it seems by the list lately published that there are now 721.”

over-issue of paper currency, if the Directors of the Bank were to revert to their old wise and wholesome rule, of not discounting for bankers. By breaking through this rule, they have shewn a want of due regard to the interests of the Public, when they came into competition with those of their own Corporation; and that some legislative restraint upon their conduct is absolutely necessary.

The Country Banks, and indeed the Scotch Chartered Banks, allow 3 per cent. interest on money lodged in their hands. This system is not only advantageous to them, as giving them the command of a great additional capital, which they borrow at three per cent. and lend again at five, but also tends to reduce the amount of their paper in circulation; for the parties into whose hands it falls have thus an inducement to pay it back to them again. The Bank of England allow no such advantage to the holders of Bank notes; who must either lose the interest upon them altogether, or force them into circulation. If the Bank Directors are persuaded of the truth of their assertion, that there is not a note more in circulation than the wants of the country require, let them adopt the same system as the other banks in this respect. The only ground on which they can object so to do is, that it would be absurd in them to pay any interest for money, when they have an inexhaustible capital in the paper mill,

which costs them no interest whatever; but surely it is reasonable that they should allow three per cent. interest for notes on which they charge five; and if their assertion is well founded, they might make this experiment, which would be highly satisfactory to the public, without the smallest disadvantage to themselves.

The Governor of the Bank asserted before the Bullion Committee, that no man will pay interest for a Bank note for which he has no use. As far as the will of the party is concerned, this is true; but the Bank, by their regulations, oblige men to pay interest for Bank notes for which they have no use. They discount town notes, or bills drawn by one person in London on another person in London, so called to distinguish them from bills drawn by persons residing abroad or in the country, only on one day in the week. These notes form a very large part of the notes sent to the Bank to be discounted, as they represent all the commercial transactions of the metropolis; and the holders are obliged to send them in to be discounted on the Wednesday, though they may have no use for the money till the Tuesday following, and pay the Bank interest for the intermediate time. This is a hardship on the merchants and traders, and ought to be remedied by the Bank discounting this description of bills, as they do all other bills, every day in the week.

A great proportion of the paper discounted by the Bank of England is employed in speculation. The facility of procuring Bank notes, by discounting accommodation bills, enables commercial houses in this metropolis to buy up commodities with the view of enhancing their value upon the public; and the same facility is given by the Country Banks, in every other part of the kingdom. Thus prices are raised to an artificial height, instead of being left to find their fair and proper level; and thus practice accords with theory, in proving the mischievous effects of an over-issue of paper currency, not convertible into specie.

Some Gentlemen, who have written on this subject, not only refuse their assent to the theory of the Bullion Committee respecting the foreign exchanges and the price of bullion, and to the application of that theory to our present circumstances, but deny the existence, and even the possibility of any excess in the issue of the notes of the Bank of England, and contend for the absolute perfection of the system on which that establishment is conducted. In attempting, therefore, to prove that an excess in their issues actually exists, and that the monopoly they hold is injurious to the public, it appears indispensably necessary to examine the validity of the arguments of those who maintain such different doctrines.

Mr. Bosanquet, in his "Practical Observations

"on the Report of the Bullion Committee," has pointed out several cases, which are at variance with the theory laid down in that Report, respecting the foreign exchanges, and the difference between the market and Mint price of bullion. But as he admits the accuracy of the theory, and only questions the correctness of its application, he merely proves, what certainly cannot be denied, that every general rule has its exceptions; or, as has been already stated, that the effects of a circulating medium not convertible into specie may for a time be retarded, or even counteracted, by other circumstances.

The present very unfavourable exchange, and high price of gold bullion, can only be accounted for either by the cause assigned by the Bullion Committee, or by an unfavourable balance of trade and payments. Mr. Bosanquet endeavours to shew that they are owing to the latter cause; and in order to prove this, gives a statement of our exports and imports, to and from the Continent of Europe, for the year ending the 5th of January, 1810, including the expenditure of Government for the public service on the Continent of Europe; together with an estimate of the sum paid by Great Britain to Neutrals for freight, more than was paid to Great Britain by foreigners, during the same period. It is obvious that this statement, instead of being confined to the transactions of Great Britain with Europe alone, ought to have

extended to those with every quarter of the globe; because a favourable balance remitted from one quarter, is clearly applicable to the liquidation of an unfavourable balance with any other quarter. As a proof how unfairly this partial statement operates, the specie and bullion imported from South America, the principal source from whence they are at present drawn, are omitted on the credit side of Mr. Bosanquet's account, and brought in on the debit side, under the head of specie and bullion exported by the Paymasters-General. Admitting the whole of Mr. Bosanquet's items, just as he has stated them, (and the article of freight might justly be challenged and expunged), the general account will stand as follows:

Excess of exports beyond imports for 1809, (Appendix to Report of Bullion Committee, page 228,)	£	14,834,649
Amount of bills drawn on the Treasury	£	4,162,190
Specie and bullion exported by the Paymasters-General		1,540,000
Bills drawn on the Commissary in Chief, Pay-office, Victualling-office, Navy, Transport, and Ordnance Boards,		4,200,918
Freights paid to Neutrals by Great Britain more than paid to British ships by foreigners		2,600,000
		<u>12,503,108</u>
Balance of trade and payments in favour of Great Britain	£	<u>2,331,541</u>

As far, therefore, as the data furnished in Mr. Bosanquet's statement can be depended upon, they tend rather to confute than to confirm his argument.*

Mr. Bosanquet contends that the paper of the Bank is not issued to excess, on the same ground that was maintained by the Directors who were examined before the Bullion Committee; that such excess is impossible, while they restrict their discounts to bills given for bonâ fidé commercial transactions. In order to satisfy his practical readers on this point, Mr. Bosanquet enters into a detail of the practical operation of the rule, by which, as the Directors have stated, the Bank regulate their issues, so as to avoid excess; and then, as a cogent argument for his speculative and theoretical readers, produces the following passage from Dr. Adam Smith's Wealth of Nations:

“ What a Bank can with propriety advance to a merchant, or undertaker of any kind, is not either the whole capital with which he trades, or even any considerable part of that capital, but that part of it only which he would otherwise be obliged to keep by him

* Mr. Cock has also given a statement of the balance of trade and payments for the year 1809; but as he does not pretend to accuracy in his computations, and admits that of some of the items he cannot form any idea; the examination of Mr. Bosanquet's statement, which is much less conjectural, supersedes the necessity of any remarks upon that of Mr. Cock.

“ unemployed, and in ready money, for answering occasional demands. If the paper which the Bank advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country, if there were no paper currency; it can never exceed the quantity which the circulation of the country can easily absorb and employ. When a Bank discounts to a merchant a real bill of exchange, drawn by a real creditor upon a real debtor, which as soon as it becomes due is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed, and in ready money, for answering occasional demands.”

In order to judge how far this passage is applicable to the conduct of the Bank Directors, it will be necessary to explain the history of a great proportion of the bills that pass through their hands. A merchant purchases goods of different tradesmen in town, or manufacturers in the country, and ships them to foreign markets. When these goods become due, the returns are not received; and the parties, who have occasion for their money, draw upon the merchant, in order to discount his acceptances at the Bank of England. So far these are “ real bills of exchange, drawn by a real creditor upon a real debtor;” but here this character ceases; for when they become due, they are not “ really paid by that debtor,” but renewed; and these renewed bills are of a very different description, being properly called accom-

modation paper. This accommodation is repeated from time to time, till the debt is liquidated, or till the merchant fails. The same practice is carried on in various different modes. Sometimes the merchant draws upon his broker, who accommodates him with acceptances, on his assurance that he will provide for them by putting produce into his hands, or take them up himself when they become due; sometimes merchants connect themselves together, and exchange acceptances for their mutual accommodation. Cases perpetually occur, of houses having traded for years on an artificial capital, raised by these means, long after they were actually insolvent. From these statements, both practical and theoretical readers may judge, whether the Bank Directors regulate their discounts by the rules which they profess to prescribe to themselves, or by those laid down by Doctor Smith, of discounting only "real bills of exchange, and not advancing to a merchant the whole capital with which he trades, or even any considerable part of that capital, but that part of it only which he would otherwise be obliged to keep by him unemployed, and in ready money, for answering occasional demands." It might be thought that the risk of discounting accommodation paper, would be a sufficient check upon this practice; but, in point of fact, the Bank rarely incur much ultimate loss, because if any one of the parties whose names are upon a bill, either

as drawer, acceptor, or indorser, is good, it is paid at maturity; and even if they all fail, the Bank can prove against all their estates, and receive dividends from the whole, till they are paid in full. The security which the law provides for bill holders, though founded on wise and just principles, encourages the discounting of bills, without any very rigid scrutiny into their real origin or character.

The proposition of the Bank Directors, "that the excess of the Bank notes in circulation would necessarily revert to them again," is also supported by Mr. Bosanquet, who asserts that this effect would be produced by a diminished demand for discounts. The fallacy of this reasoning consists, in not distinguishing between mercantile capital and circulating medium. During the recent pressure upon the commercial world, and distress among the merchants, money has been in such abundance among the other classes of the community, that Exchequer Bills bearing an interest of only 3*d.* per 100*l.* per diem, have sold at a premium of 14*s.* and 15*s.* per cent.; a plain proof that there may be, and frequently is, a great deficiency of mercantile capital, and at the same time a superabundance of circulating medium. Bank notes issued to merchants, in exchange for bills discounted, do not remain in their possession; for as the Bank Directors say, "no man will pay

“ interest for a Bank-note for which he has no use ;” and therefore these notes immediately pass into other hands, and form part of the circulating medium of the country. This operation, however, does not occasion a diminished demand for discounts; for before the bills discounted by merchants who are in the habit of trading beyond their capital become due, they send other bills to the Bank to be discounted, because they find the same extent of accommodation necessary; and thus, in point of fact, the same demand for discounts still continues. The Bank Directors have carefully concealed the amount of their discounts; but they appear to have gone on progressively increasing; for the Report of the Bullion Committee states in general terms, on their authority, that “ the amount in the last year, bears a very high proportion to their largest amount in any year preceding 1797 ;” * and the Governor in his evidence said, “ within the last three years they have increased considerably.” † One great source of this increase is mercantile speculation; to which the observation of Sir Francis Baring was most truly applied, “ that it knows no limits but the want of means ;” ‡ an apophthegm which ought to be written in letters of gold, over the door of the

* Report of Bullion Committee, page 26.

† Ibid. page 113.

‡ Ibid. Evidence of Sir Francis Baring, Bart. page 133.

Bank Parlour, that the Directors might have it always before their eyes. Much inconvenience and distress would certainly ensue, if the Bank were so to diminish their discounts, as suddenly to deprive commercial men of that accommodation, on which, by long habit, they have been encouraged to depend; but they ought to be gradually reduced; indeed, they ought never to have been so largely extended. The Bank first occasion the evil; and then urge the existence of it, as a reason for its continuance.

Various plans have been adopted, with the view of economizing the use of Bank notes; and the Bank Directors, as Mr. Bosanquet informs us, have lately introduced a very important improvement of this description. It appears that 220,000*l.* in notes, now suffice to settle the daily payments of the metropolis; amounting, on an average, to 4,700,000*l.* The natural effect to be expected from these arrangements, is a diminution of the quantity of Bank notes in circulation; but so far from this being the case, they have increased, since 1797, from 8,640,000*l.* to 21 millions. With this increase, proved by official documents before our eyes, together with the fact of its arising, in no inconsiderable degree, from the accommodation paper discounted by the Bank of England, it is difficult indeed to admit the assertion

of the Directors, that "there is no excess in the "issue of their notes--not a note more in circulation than the actual wants of the country "require."

Mr. Bosanquet tells us, that if we revert to payments in specie, "we adopt an instrument "of circulation most costly in the place of one "which costs nothing;" that "we wish to play "at agriculture and commerce with gold counters, "when paper ones answer our purpose full as well." This is rather a flippant mode of treating a grave and important subject. Besides, how can it be said that our present instrument of circulation costs nothing? Mr. Bosanquet himself tells his readers "that it costs something, namely, the "interest on the money borrowed, to take a note "out of the Bank."* Every individual who keeps Bank notes in his desk, loses the interest of his capital, just as much as if he had guineas locked up there, to the same amount. While we play with these paper counters, the Public are playing a very losing game, and the Bank are the only winners; for the Public not only pay them interest for these paper counters, but also pay advanced prices for every thing they purchase, in order that the Bank may increase their profits.

* Practical Observations, &c. page 53.

When the Bank Directors were questioned before the Bullion Committee, as to the effect of the increased issue of their paper on the foreign exchanges, and on the difference between the market price and the Mint price of gold bullion, they declared, that they never thought it necessary to advert to them---that they considered the amount of their paper circulation as having no reference at all to them.* When interrogated as to the effect of the abundance or diminution of the currency of any country, on its value, and on the price of commodities, they acknowledged that they had not opinions formed upon these points, sufficiently matured to offer to the Committee.† When asked whether it would be expedient to continue the Restriction Bill as a permanent measure, they answered, that "they could see no positive inconvenience likely to result from its being a permanent measure."‡ They do not appear, from their evidence, to have maturely considered the effects of the mighty lever which they hold in their hands. The Directors, however, may urge, and justly urge, that it is their province to attend to the affairs of the Bank of England, and not to those of the State; but then it must also be ad-

* Report of Bullion Committee. Evidence of J. Whitmore, Esq. and J. Pearse, Esq. pages 90, 96, and 97.

† Ibid. page 96.

‡ Ibid. page 112.

mitted, that if the interests of the one clash with those of the other, the Bank becomes a proper object of legislative interference.

Mr. Bosanquet enters into very long details in order to shew, that the rise in the price of commodities is not more than proportionate to the increase of taxes, since the commencement of the war in 1793; but says nothing of the counter-effect of our improvements in agriculture, our improvements in machinery, or our improvements in internal communication by means of canals, all which tend to reduce, as the increase of taxation does to raise, the price of commodities. To borrow an observation from Mr. Bosanquet, "it is not possible to follow this subject to any satisfactory point, without engaging in a very protracted investigation, and a multitude of figures;" and the result, after all, must be, in some degree, vague and conjectural. When, however, a Gentleman of his acknowledged ingenuity brings forward all the arguments on one side of the question, and keeps all those on the other entirely out of sight, his readers can hardly forbear thinking that his observation on the Bullion Committee, "that they embrace, in the objects offered to their consideration, those points only which accord with the intended references," is quite as applicable to his Pamphlet as to their Report.

A Right Honourable Baronet, who has favoured the public with his opinions on this subject, maintains, that the present abundance of the circulating medium, and the advanced price of every commodity, in consequence of that abundance, are the great sources of our national prosperity; contends, that a reduction of the circulating medium would bring beggary and ruin both upon the commercial and landed interests of these kingdoms; and produce the most disastrous effects on the revenue and credit of the country.*

With respect to commercial men, the present abundance of the circulating medium, so far from being the source of their prosperity, has brought numbers of them to ruin, by furnishing them with the means of engaging in speculations to an extravagant extent. The statements which many insolvent houses have lately laid before their creditors, prove the unwarrantable extent of their adventures; and the amount of their bills in circulation, shews with what resources those adventures were carried on. Speculation, however, ought not to be indiscriminately censured. The merchant who opens new channels for commerce, in the pursuit of his own interest renders the most essential services to society; for by exchanging the

* Observations on the Report of the Bullion Committee, by the Right Hon. Sir John Sinclair, Bart. M. P.

produce and manufactures of one country for those of another, he encourages the industry, and supplies the wants, or increases the comforts of both. The adventures of men who confine themselves within the limits of their own capital, are most likely to be successful, because they are generally conducted with prudence and moderation; and to this spirit of fair commercial enterprize, Great Britain owes much of her present high rank among nations. But a great proportion of the speculations lately carried on in this country has been of a very different description. New men, almost unknown in the commercial world, have rushed into competition with each other, in adventures to new markets, and in new and hazardous modes of carrying on commerce. By the magnitude of their operations they lowered the price of every article they had to sell, and raised the price of every article they had to buy, till their avidity defeated its own object; and trading upon credit, not upon capital, they involved their creditors and themselves in one common ruin. The extent of such speculations is no proof of the national prosperity. Is it any proof of the national prosperity, that every foreign market is glutted with British goods, which remain unsold, and being unsold, cannot be paid for? Ask the ruined manufacturers and tradesmen of whom they were bought. The prosperity of a nation, like that of an individual, depends, not upon the extent, but upon the profit of the business carried on; and

while the present system continues, while the facility of discounting* confounds all distinction between men of real capital and men of no capital, the commerce of Great Britain will be speculative and ruinous, instead of being, as it once was, solid and prosperous. We may indeed amuse ourselves in contemplating the magnitude of our imports and exports, but in so doing, we are like children, gazing at the gaudy colours of bubbles blown up into the air, which burst in a moment, and shew of what unsubstantial materials they are made.

Under this system, the land owners certainly indemnify themselves, by the advance of their rents, for the advance upon every other commodity. But this is indemnity, not profit; for they pay away their advanced rents again, in the advance upon every article they eat, drink, wear, or consume. If their rents were to be reduced, the price of every article would also be reduced, and they would remain in just the same relative situa-

* *Report of Bullion Committee. Evidence of Sir F. Baring,*
page 132.

“ There are many instances of clerks not worth 100*l.* establish-
“ ing themselves as merchants, and receiving (since the restric-
“ tion) an accommodation from the Bank, by discounting what is
“ called good bills to the amount (probably) of 5 or 10,000*l.*;
“ such a demand I am inclined to consider as created by the
“ Bank, and not arising out of a regular course of trade, such as
“ would exist if the restriction was removed.”

tion as they stand at present. But how great a proportion of the community receive no indemnity whatever, for the hardships which they experience in the present state of things? Every public creditor, every man employed in the army, the navy, or the civil service of the state, in short, every man who lives upon a fixed income, finds his comforts diminish as the prices of every article increase, and his privations become more and more intolerable every day of his life.

As to the diminution of the revenue to be apprehended from a recurrence to the old system, we must not forget the increase of the revenue that has taken place under the new system; and which that system has rendered necessary. We pay for the increased price of every article purchased by Government, in an annual expenditure of more than 70 millions, by new taxes imposed to defray that expenditure; and under reduced prices, a reduced revenue would answer an equal purpose. In short, the diminution of the one, would exactly keep pace with that of the other.

But the attempt to quiet any apprehensions on these points, is almost a superfluous task; for no prudent man would recommend such a diminution of the circulating medium, as to occasion any material reduction in the present price of commodities, or the value of property of any description. The

true object in regulating the issue of our paper currency should be, rather to prevent any farther increase of the evils arising from its excess, than to incur the risk of introducing others, by prescribing too violent a remedy for those that have already taken place.

The Right Honourable Baronet has followed up his first publication on this subject, with a second, entitled, "Remarks on Mr. Huskisson's Pamphlet;" in which he maintains, that all the speculations of the Bullion Committee are now fortunately overturned, by one plain fact, that gold bullion has already fallen in price 7 per cent.; and asks, "if there were any good grounds for the doctrines of the Committee regarding the effect of paper currency on the price of gold bullion, how could it have fallen even 7 per cent. in so short a period?" The answer to this question is short and plain; that as the value of gold bullion rises in proportion to the depreciation of the foreign exchanges, subject to the expences attending its exportation to the Continent, so the increased premium of insurance which took place in consequence of the approach of winter, and the increased risk of confiscation of property arriving from this country in the ports of the Continent, by adding to the expences attending the exportation of bullion, in the same proportion diminished its value; and thus this circumstance confirms, instead of overturning, the doc-

trines of the Bullion Committee. It has also happened, rather unfortunately for the inference drawn by Sir John Sinclair, that the price of bar gold has risen again from 4*l.* 3*s.* to 4*l.* 11*s.* per ounce; and that doubloons, which are inferior in quality to bar gold, are now 4*l.* 13*s.* 6*d.* per ounce.

Sir John admits, that the numerous bankruptcies that have lately happened, may have been principally occasioned by other causes; but insists that the fall which has recently taken place in the value of the stocks, must be greatly owing to the attack that has most unfortunately been made on our circulation. The truth of this case rather seems to be, that the numerous bankruptcies, and the fall of the stocks, are cause and effect; for numerous bankruptcies excite a general alarm and want of confidence, which induce many persons to sell, exclusive of the merchants, who, when pressed, among other resources, of course dispose of their funded property; and when large sales are made in consequence of this alarm and this pressure, a depreciation in the value of the funds necessarily takes place.

Sir John then bestows his commiseration on the Bank Proprietors, who, he says, have suffered in the value of their property nearly four millions sterling, by the late fall in the value of their stock. Perhaps it may be consolatory to the public to hear

of their gains as well as of their losses. Be it known, therefore, that since the Bank Restriction Bill was passed, they have divided in bonuses 32½ per cent. upon their capital; that their permanent dividend has been increased from 7 to 10 per cent.; that the Income Tax upon this dividend has also been paid out of their profits; that their stock has risen in value 150 per cent.; and that the differences between the old and the new system are estimated at 14 millions in their favour.* In this

* In the observations on the Bank Restriction Bill, by a merchant of the old school, the following statement is given of the extra profits realized by the Bank Proprietors under the Bank Restriction Act:

Bonus in 1799, 10 per cent. on capital.....	£1,200,000
Loyalty 5 per cents. subscribed in 1797, and divided as a Bonus in 1803.....	1,400,000
Navy 5 per Cents. purchased and divided as a Bonus in 1804.....	600,000
Exchequer Bills purchased between 1797 and 1801, and now held.....	1,500,000
Loan in 1799 for renewal of their Charter for 21 years, bearing interest at 3 per cent.....	3,600,000
Loan in 1808, without interest till peace.....	3,000,000
Income Tax from 1799 till 1801.....	260,000
Property Tax from 1803 till 1810.....	1,000,000
Extra Dividend from 1807 to 1810, being 3 per cent. per annum on their capital.....	1,440,000
	<hr/>
	£14,000,000

Estates purchased and buildings erected, not included.

state of their affairs, well may they adopt the quotation prefixed by Sir John Sinclair to his new Pamphlet, and exclaim, "If matters are left without any change at all, no bad consequences will follow; these exist only in the heads of theorists."

As a proof how much the nation has flourished under the Bank Restriction Bill, Sir John states the public revenue in 1796 to have been 19,951,589*l.*; and in 1809 to have been 59,031,848*l.* If an increased taxation of 40 millions is to be considered as a proof of our prosperity, it will follow, that the more we are taxed the more prosperous we shall be; and if Sir John can persuade the public so to think, he will certainly prove the most invaluable acquisition to his Majesty's Councils that ever was made by any Administration.

Sir John is perfectly correct in his conclusion, that it is only the abuse in the paper circulation that can be justly objected to; and that wholly to overturn this system, would be a species of political suicide altogether unpardonable. If this distinction between the regulation and the annihilation of paper currency, had occurred to him earlier, and been kept constantly in view, it would very much have abridged his labours.

The Postscript consists of quotations from Sir

James Stuart's Enquiry into the Principles of Political Economy, intended to shew the use of paper money and banks. Their use no person denies; but the use and abuse of things ought not to be identified. Sir James states, "that the Statesman who intends to borrow money, must use all possible means to increase the quantity of money in circulation." But it by no means follows, that the system most convenient to the Minister, is most advantageous to the people; as the amount of the debt and taxes of this country, owing to the facility of borrowing, furnishes a most striking proof. Many expensive and disastrous wars would probably never have been engaged in, if our forefathers had been obliged to pay the expence of carrying them on, instead of giving a mortgage for it upon their posterity.

This Supplemental Pamphlet of the Right Honourable Baronet's has added more to the bulk than to the weight of his arguments; which will not probably induce many of his readers to join him in thinking that we ought to congratulate ourselves on our present abundance of the circulating medium.

Mr. George Chalmers, in his Pamphlet on this subject, not trusting altogether to the efficacy of his arguments, enforces them with such bitter

denunciations against those who differ from him respecting the absolute perfection of our present system of paper circulation, as might well deter men of weak nerves from avowing their opinions.

“ When we see the wide-circulating journals of the South, and North, inculcate, with sly insidiousness, the positive depreciation of the Bank notes; when we perceive pamphlet, after pamphlet, attempting to demonstrate the discredit of Bank cash; when we observe such frequent declamations, followed by serious enquiry; we may easily suppose, *there must be more meant, than meets the ear*. When the great end of the United Irishmen was to produce bloody change, in Ireland, by the overthrow of all government, and the destruction of all property, the Directory of those miscreants recommended to their followers the refusal of the Bank of Ireland's notes. Such attempts, on the opposite sides of the Channel, by similar miscreants, evince a coincidence of mischief; and show, with sufficient conviction, the existence of the same design, to sap the foundations of the Bank, while they wish to weaken the stability of the State.”*

He asserts that Bank notes are not paper, but cash, as much as guineas.

“ Happy!” he says, (speaking of Sir Francis Baring), had Sir Francis known the *law* upon the point; as it would have supplied him with more adequate terms of definition, and panegyrick, than *paper*, than *basis*, than *seed*; and taught him never to call Bank notes,

* Considerations on Commerce, &c. by George Chalmers, F. R. S. S. A. pages 5 and 6.

“ by such an expression, as *paper*, not even with Pope, ‘ blessed paper money:’ But, for both, definition, and panegyrick, we must refer to Lord Mansfield, the illustrious Chief Justice of England, who, after argument, and consideration, declared *Bank notes* not to be *paper*; not to be *goods*, not to be *securities*, not to be *documents for debt*, but *money to all intents*, but *cash*, as much as *guineas*. And *Bank notes*, being thus, in contemplation of law, *money to all intents*; and being thus *cash*, as much as *guineas*, are of course, by operation of law, the *lawful money of the kingdom*, as much as the *pound sterling*.”*

It is scarcely possible to read this passage, and to connect it with the preceding thundering anathema against those refractory miscreants, (the unbelievers in paper,) “ those maligners of the Bank, and enemies of the State,”† without calling to mind Peter's mode of persuading his brothers that his brown loaf was a shoulder of mutton. “ Look ye, Gentlemen, to convince you both, what blind, positive, ignorant, wilful puppies you are, I will use but this one plain argument: by G---, it is true, good, natural mutton, as any in Leaden-hall-market, and G--- confound you both eternally if you offer to believe otherwise.”‡ The invectives, however, with which Mr. Chalmers loads those who differ from him, are compensated for by the very handsome language in which he

* Considerations, &c. pages 133 and 144. + Ibid. p. 7.

‡ Swift's Tale of a Tub.

mentions those who agree with him in opinion, who are uniformly complimented with the appellations of "merchants of great acuteness," "intelligent theorists," "well-informed men," "intelligent brokers and merchants," and a variety of phrases equally flattering, all which of course are reflected back upon the author himself, who thinks as they do."

After dwelling with exultation on the trade of the year 1809, in order to prove the progressive prosperity of Great Britain, and stating that during that busy year we exported a vast cargo amounting to more than sixty-six millions;* he tells his readers, in order to account for the unfavourable exchanges and high price of bullion, that

"Buonaparte has declared, and his will is the law, that we shall have no trade in Europe; that we shall have no goods, nor credits, any where, within *his domination*, that we shall have no funds, and no remittances. These are facts, which are but too well known, and too much felt, all over Europe. Those facts go to the very soul of the question, as we see our traders can neither have credits, nor can they send cargoes, to meet demands."†

So that, after commencing his book with the assertion, that "during the progressive prosperity of Great Britain, in all that constitutes opulence,

* Considerations, &c. p. 8. † Ibid. p. 24.

"and power, throughout the effluxion of half a century, the year 1809 was the most prosperous;"* he declares in the next chapter, that our traders can neither have credits, nor send cargoes to meet demands: and to complete the picture of the distress of this most prosperous year, he asks, near the conclusion of the same chapter, "is there any doubt, whether the Berlin and Milan decrees still exist? Is there any doubt, whether the *Continental system* was in full operation, during the year 1809? Is there any doubt, whether British debts, and credits, and goods, were confiscated, under that system; or whether British merchandise, could be exported, in 1809, to the Continent, under that system, without confiscation, and forfeiture?"†

In direct contradiction to the evidence given by the Governor and Deputy Governor of the Bank, before the Bullion Committee, that they never thought it necessary, in regulating their issues, to advert to the course of exchange, nor to the price of bullion---that they considered the amount of their paper circulation as having no reference at all to them, Mr. Chalmers states, "there is now, as there has always been, a Committee of Treasury, at the Bank, for the very purpose of *watching exchanges*, and the

* Considerations, &c. p. 1. † Ibid. p. 50.

"market prices of gold and silver."* If such a Committee exists, it seems strange, that in the exercise of its functions, it should not have furnished the Governor with ideas upon these subjects, sufficiently matured to offer to the Bullion Committee.

Mr. Chalmers discourages all attempts so to regulate the issues of the Bank, as to continue those mercantile discounts which may be regarded as a public benefit, but at the same time to guard against the excess of paper currency; and recommends us to reconcile ourselves to this, and indeed every other existing evil, by the following philosophical lamentations:

"But, how to enjoy the *good*, without the accompanying *evil*, is one of the hardest tasks of metaphysics to prescribe. The best things, are generally accompanied with the worst inconveniences. Liberty cannot be enjoyed, without sometimes feeling the inconvenience of licentiousness: Religion sometimes degenerates into superstition: Yet, such disquisitions are more fit for the schools, than the Senate House."†

He assigns the most extraordinary reason that can well be imagined, for preferring the notes of the Bank of England to those of the Country Banks; that "the Acts of Parliament restricting the payments in specie of the Bank, do not pro-

* Considerations, &c. p. 143. † Ibid. p. 179.

tect the Banks in Scotland from paying in specie when demanded; nor do the same Acts protect the Country Banks of England from paying in specie if required."* If the fact were literally so, it might produce a very different effect on the minds of his readers from what Mr. Chalmers intends; but he explains his conception of the case, by adding, that "the Country Banks, if specie were demanded of them, may, and so may every one else, offer the amount of the demand, in *Bank notes*, which, according to law, are *cash*." So that after all, this important distinction, on which so much stress is laid, proves to be no distinction whatever. He treats the Country Banks with most unrelenting severity; says that "every abuse prevails in them; the abuse of numbers, the abuse of laxity, the obscurity of their establishments, and the excess of their issues;" but boldly contends that any excess on the part of the Bank, not only does not, but cannot exist: though why if excess can exist in the one it may not exist in the others, or why if Country Bank notes regorge,† they should not be immediately thrown back upon those who issue them, as well as the notes of the Bank of England, it is somewhat difficult to conceive. The reverse of his proposition indeed would be very intelligible; for the obligation upon the Country Banks, to pay their

* Considerations, &c. page 134. † Ibid. page 148.

notes in notes of the Bank of England, is a strong check against any excess in the issue of their paper, and gives the holders an opportunity of throwing it back upon them at pleasure: but the Bank Restriction Bill exempts the issue of Bank notes from any such check, and deprives the holders of those notes of any such opportunity.

Mr. Chalmers asserts that there is no depreciation in our currency, because the pound sterling or money unit, is the proper standard of value.* If his reasoning is admitted, we have the comfortable satisfaction of knowing, not only that there is not, but that there never can be, any depreciation in our circulating medium, let bullion and commodities rise to what prices they may.

* *Considerations, &c. pages 127 and 128.*

64
 " But, is there not such a circumstance as the depreciation of
 " money? Yes; certainly; and I have, on a former occasion,
 " treated, at some length, of the depreciation of money, of
 " which vulgar history is full. It was reserved, for the late Sir
 " George Shuckburgh, to reduce this enigmatical subject to a
 " sort of system. But, the true, and the Parliamentary lan-
 " guage, is, that the prices of land, of labour, and of the phy-
 " sical necessary, rise, sometimes more, and sometimes less, in
 " particular periods. The value of money, then, does not
 " depreciate; but prices rise: And, therefore, the pound ster-
 " ling remains fixed, as a standard ought to be. Doth it not
 " follow from the foregoing facts, and circumstances, that, seeing
 " the pound sterling, and the Bank note, are identified, in the
 " law, and usage of the country, that the one is as stable, as the
 " other."

Had Mr. Chalmers been at Paris when the Decree was issued making the notes of the Caisse d'Escompte a legal payment, and the price of provisions and every other article were in consequence immediately doubled, he might have shewn by a parity of reasoning, that this was no proof of any depreciation in the value of the notes of that Bank, but merely a sudden rise in the price of commodities. He proves that there is no excess in the amount of Bank notes in circulation, by the evidence of the Bank Directors, as to the rules by which they regulate their discounts and make their issues; though how far those rules are conformed to, has already been shewn. He contends that the issue of Bank notes may safely be confided to the discretion of the Directors, though they have a direct interest in extending their amount, and though it has hitherto been admitted, that men ought not to be at the same time judges and parties. These specimens will suffice to shew with what moderation, judgment, consistency, and impartiality, Mr. Chalmers discusses this subject.

Mr. Eliot has recapitulated most of the arguments used by Mr. Chalmers, but in more polished diction. A great part of this Gentleman's Pamphlet is filled with critical comments, on various definitions, propositions, assertions, premises, and deductions in Mr. Huskisson's Pamphlet; much

better calculated to display his logical subtilty, or to use his own expression, "to involve simple facts in complicated theories," than to throw any new light on the points of which he treats. Some of his sentiments, however, have a just claim to originality, and must not be passed over unnoticed.

Mr. Eliot improves upon Mr. Chalmers's notion respecting the pound sterling, or money of account, which he maintains to be not only the true, but the invariable standard of value.* The pound sterling originally represented a pound of sterling, or standard silver, troy weight, and from thence took its name. Now that silver is worth 5s. 11d. per ounce, in this money of account, the pound sterling represents only between three and four ounces of the same silver. The pound sterling would formerly purchase four bushels of wheat; it will now purchase about one bushel and a third. Surely,

* *Observations on the Fallacy of the supposed Depreciation of the Paper Currency, p. 32.*

62
"Whatever in itself possesses an embodied form, and an intrinsic value, must, as a material commodity, be subject to variation under the universal principle of the relative proportions of product and demand. And paradoxical as it may seem in theory, it is, nevertheless, most incontrovertibly true in practice, that it is this very attribute of intrinsicity which necessarily imposes the quality of variation. It is the ideal money of account only which admits of invariable value; because it is not formed of substantial, and, therefore, variable, materials."

See Chalmers's 7/48

in answer to this paradoxical theory, as Mr. Eliot himself calls it, it is only necessary to state these plain facts, in order to prove that as this money of account brings so much more or less of every commodity for which it is exchangeable, at different times, it cannot be that "invariable standard of value," that "universal unvarying equivalent," which Mr. Eliot would persuade his readers to believe.

In the opinion of Mr. Eliot, the tender of Bank paper ought to be made a full acquittance of a lawful debt,* while the Bank Restriction Bill continues in force. He supports this measure with the following argument:

"And, indeed, without any such specific provision, it must be sufficiently evident, to every practical financier, that the solvency of the Bank of England, and the national credit and safety, are so much identified, the one with the other, that, although no positive statute provides for such emergency at present, it is absolutely incumbent on the Legislature to uphold that establishment, the dissolution of which would shake our boasted credit to its very foundation, and reduce us to the humiliating level of the bankrupt nations which surround us."†

Mr. Eliot does not consult the credit of the Bank, by thus proposing to identify it with the

* *Observations, &c. p. 53.*

† *Ibid. p. 57.*

State; for history fully confirms the assertion of Sir Francis Baring, that "it has been ascertained, by long experience, that wherever paper has circulated under the power and influence of Government, it has failed:"* and the reason is obvious, that where compulsion begins, confidence ends. Neither does he consult the credit of the State by this proposition, at least in the opinion of one of our most eminent political writers; for Mr. Burke says, "we entertain a high opinion of the legislative authority, but we have never dreamt that Parliament had any right whatever to violate property, to controul prescription, or to force a currency of their own fiction, in the place of that which is real, and recognized by the law of nations."† The same writer says, in another place, "As soon as a nation compels a creditor to take paper currency in discharge of his debt, there is a bankruptcy."‡ All the embarrassments of the Bank have been owing to their locking up so large a sum in permanent advances to Government, as to leave themselves without sufficient disposeable assets to make good their engagements. Mr. Eliot might have read in his friend Mr. Chalmers's Pamphlet, that "if a Country Bank lends money upon mortgage, or other se-

* Report of Bullion Committee. Evidence of Sir Francis Baring, Bart. p. 132.

† Burke's Works, vol. 5. p. 277. ‡ Ibid. vol. 7. p. 47.

"curities which cannot be readily converted into cash, this transforms such an establishment into a Land Bank. Now we have had Land Banks fail in England; and the Ayr Bank in Scotland failed because it was a Land Bank; and land is an improper capital for banks issuing notes payable to bearer, which require cash to satisfy daily demands, and not securities for money."* These remarks are as justly applicable to the Bank of England, as to Country Banks; and the Bank of England in making permanent advances to Government, of six millions more than their capital, have lent their money upon "securities which cannot readily be converted into money to satisfy daily demands." As Mr. Chalmers says, "the Ayr Bank failed because it did not so much want security, as cash. It finally paid every thing; since it had value enough, but wanted time to convert securities into cash."† According to this reasoning, the Bank of England is transformed into a Land Bank; and the same circumstance that occasioned the run upon all the banks of that description, the suspicion that they had not sufficient disposeable assets to pay the notes they issued, might be expected to produce the same effect upon the Bank of England, if they were not protected from being called upon to pay in specie by an Act of the Legislature. Mr. Eliot himself defines solvent persons, to be "persons in possession, either

* Considerations, &c. pages 186 & 187. † Ibid. Note, p. 187.

“ de jure, or de facto, of lawful assets for the discharge of all the obligations they have contracted.”* But the advances made by the Bank to Government, payable in the year 1833, or even six months after a peace, are neither de jure nor de facto lawful assets in their possession, for the discharge of notes payable on demand. Confidence in the notes of any Bank is best maintained by the persuasion of their having disposeable assets ready to pay them with; and the Bank ought in prudence to make such an immediate addition to their capital, as will fill up the deficiency in it, occasioned by their too lavish advances to Government. If, on the contrary, Government, after having borrowed more money of the Bank than the Bank had of their own to lend, were to make their notes an absolute acquittal of a debt, by an Act of the Legislature, their notes would inevitably experience the same rapid depreciation, as the paper money issued by the Continental Governments. The Bank are already on the brink of a precipice, and their friend Mr. Eliot wishes to push them down it headlong; for such would be the effect of adopting his proposition.

To disprove the excess of the circulating medium, Mr. Eliot states the case thus:

“ If 39 millions of current coin and Bank-paper were necessary—and I have not heard it denied that they

* Observations, &c. page 13.

“ were—to fill the channels of circulation in the year 1795, when the aggregate of financial and commercial payments may be estimated at $104\frac{1}{2}$ millions, by the same ratio of calculation, we might suppose that the same payments, amounting, in 1809, to no less than $191\frac{1}{2}$ millions, would require a circulating medium of $76\frac{1}{2}$ millions, to effect them with the same punctuality and dispatch.”*

The statements given by the Bank Directors,† of the quantity of Bank notes in circulation at different periods, prove their amount to have been the same from January, 1803, to December, 1807. As in those five years both our imports and exports and our taxes had considerably augmented, while our circulating medium remained stationary, it is evident that an increase in the one requires no such correspondent increase in the other as Mr. Eliot estimates. Mr. Eliot seems to have forgotten that it is in evidence before the Bullion Committee, that 220,000*l.* in Bank notes suffice to settle the daily transactions of the metropolis at the clearing-house, amounting on the average to 4,700,000*l.*; and that the same system is acted upon by the Country Banks in every great town and city throughout the kingdom. More than two-thirds of those banks have been established since the year 1795, from which he draws his comparison; and therefore the art of economizing the circulating

* Observations, &c. page 91.

† Report of Bullion Committee, page 199.

medium has been much extended as well as improved since that period. But without laying any stress upon this circumstance, it is evident that the additional circulating medium necessary to effect the payments of any given increase in our financial and commercial transactions, as far as they pass through the hands of the banks or bankers, is not in the ratio of calculation made by Mr. Eliot, but only in the proportion that 220,000*l.* bears to 4,700,000*l.*

An argument generally used against obliging the Bank to resume their payments in specie, is, that the contracted issue of paper money which this measure would necessarily occasion, might so diminish the circulating medium of the country, as to occasion great general distress. The quantity of paper currency in circulation might, it is presumed, be diminished, not only without any inconvenience, but to great national advantage. If cash payments were resumed, a considerable proportion of this paper currency would be supplied by the specie now locked up, either in the coffers of the Bank, or of individuals; for in the present state of things, almost every man is induced to get a few guineas when he can, because he cannot get them when he will; and keeps them when he has got them, because he knows, that if he parts with them, he shall not very easily find them again. But if Bank notes were again convertible into specie, at the will of

the holder, this practice would immediately cease; and a large capital in specie, which now lies useless to its possessors, would be added to the circulating medium of the country.

Another argument is, that the specie would be exported as fast it was put into circulation. The policy of prohibiting the exportation of specie, considered on general principles, is very questionable; for the export of specie contributes to correct an unfavourable foreign exchange, and having performed this useful office, the specie is sent here again, for the very same reason that it was before sent away. Sir John Sinclair himself admits that the precious metals ought to be considered "merely as a species of merchandize, the increase or diminution of which, has no decisive influence on the wealth or prosperity of a country, and which, if left to itself, soon finds its just level."*

When the same effect may be produced by different causes, and no positive proof can be given in what degree each particular cause contributes to that effect, a wide field is open for disputation. This is the case with the great points on which the right understanding of the present controversy respecting the present state of our circu-

* Observations on the Report of the Bullion Committee, by the Right Honourable Sir John Sinclair, Bart. M. P. page 29.

lating medium depends; for a depreciation in the rate of the foreign exchanges, and an advance in the price of bullion, may be occasioned either by an unfavourable balance of trade and payments, or by an excess of paper currency not convertible into specie; and, in like manner, an increase in the price of commodities may be owing either to the latter cause, or to the increase of population, taxation, and luxury. If however we judge of present times by the past, we shall find the increase of prices rapid beyond all former example; and connecting that fact with the equally rapid augmentation of the paper issued by the Bank, since they have been relieved from the obligation to pay it in specie, and the quantity of accommodation bills which they constantly discount, such violent symptoms of excess appear, as call for the adoption of some means of putting their paper to a proper test.

Such a test would certainly be provided by compelling the Bank, as the Report of the Bullion Committee recommends, to resume their payments in specie at the expiration of two years; but before this measure is resorted to, it is necessary to enquire whether such an enactment would be compatible with that wise and necessary caution, which the Committee, in another part of their Report, recommend to be observed in fixing the period for imposing this obligation upon the Bank. If on

enquiry it should appear that this recommendation, though founded on principles just in theory, and applicable to the ordinary commercial and political state of things, might be hazardous in the present unprecedented state of things, then it will become necessary also to enquire, whether any and what safer plan can be devised as a remedy for the evil complained of.

Some very cogent arguments against obliging the Bank to resume their payments in specie, under existing circumstances, will be found in the following passages, selected from the various Pamphlets that have lately appeared upon this subject. Mr. Hill* says,

“ Throughout the whole of their Report, the Com-
 “ mittee appear to have been occupied with an inquiry
 “ after that state of currency and circulating medium,
 “ which is theoretically best; without paying any ade-
 “ quate degree of attention to those violent and uncon-
 “ trollable circumstances which have introduced a diffe-
 “ rent system, or to the practicability of returning, in
 “ the present state of the nation, to the ordinary system
 “ of banking. The restriction of payments in specie
 “ was at first rendered necessary by the foreign expendi-
 “ ture of Government, and those circumstances in which
 “ this restriction originated, have ever since continued,
 “ and even gone on with accelerated force; but the

* An Inquiry into the Causes of the present High Price of Gold Bullion, &c: page 151.

“ Committee, almost without noticing these circumstances
 “ at all, have gone about to prove, that this restriction
 “ ought never to have been introduced, or only to have
 “ been of temporary duration. Admitting the correct-
 “ ness of these sentiments, (which I am fully disposed
 “ to do,) they are scarcely of any importance in a prac-
 “ tical view; the mischief is done; the specie is gone;
 “ and no alternative remains, but to make the best we
 “ can of our present situation.”

Mr. Lync* observes, that

“ The present unfavourable exchange must continue,
 “ while the enemy admits the export of certain necessary
 “ articles hither, but prohibits the import of all British
 “ merchandize or produce; and that if, in the present
 “ state of things, our specie were put in circulation, it
 “ would be exported, and then we must return to
 “ paper currency, after having destroyed our confi-
 “ dence in it.”

Mr. Fonblanque† concludes his work with the following propositions on this subject:

“ That the high price of bullion cannot be reduced,
 “ by the adoption of a measure that must necessarily
 “ increase the demand for it, unless there be an increase
 “ of quantity to answer such increase of demand.
 “ That the requiring of payment in specie, would in-
 “ crease the present demand for bullion; and there is
 “ no apparent increase of quantity to answer such in-
 “ crease of demand. That until the price of bullion is

* Letter to the Right Hon. George Rose.

† Doubts on the expediency of adopting the recommendation of the Bullion Committee.

“ materially reduced, the throwing a considerable quan-
 “ tity of standard coin into circulation, would present
 “ an additional temptation to the melting and exporting
 “ it. That if such standard coin were to be supplied
 “ by the Bank, it would be attended with a ruinous
 “ loss to the Bank, and would ultimately compel the
 “ Bank so to restrict its issues, as might defeat all
 “ the advantages derivable from a circulating me-
 “ dium. That in the low rate of exchange, now occa-
 “ sioned by the high price of bullion, a measure that
 “ tends to raise the price of bullion, cannot improve the
 “ rate of exchange.”

If these arguments, drawn from considerations relative to the foreign exchanges, and the present state of our relations with foreign powers, should lead us to pause before we adopt the recommendation of the Bullion Committee, other arguments, drawn from a view of the circumstances of the Bank itself, may perhaps strengthen our doubts whether it ought to be adopted at the present moment; more particularly if it can be shewn, that the benefits proposed by that measure may be obtained in another mode, without exposing either the Nation or the Bank to any hazard.

On entering into an investigation of the affairs of the Bank, a most extraordinary scene opens; for it at once appears, that the Bank of England, though certainly possessed of an ample real capital, are not only trading without any disposeable capital, but with less than none. The whole capital

of the Bank, or 11,686,000*l.*, was long since advanced to Government as a permanent loan, at 3 per cent. interest; and is not demandable till the expiration of their charter in 1833. In 1800 they made a farther advance to Government of three millions, for six years, without interest, as a consideration for the renewal of their charter; and have since agreed to continue that loan, at the same interest, till six months after the expiration of the present war. In 1808, they advanced three millions more, without interest, till the same period. If, therefore, the Bank were to discontinue all their temporary advances to Government, and all their discounts to individuals, still having made permanent advances of six millions more than their capital, they would be incapable of paying all the demands against them. This plain statement of their affairs shows at once the danger to which they would be exposed, by resuming the payment of their notes in specie in their present circumstances.

What opinion would be entertained of the prudence of any merchant who should lock up more than his whole capital in advances to one correspondent, on securities however valid, which he could by no possibility make available to the purpose of meeting his own engagements, and at the same time make advances to various other persons, depending upon supply-

ing all deficiencies by means of artificial paper? Yet this is the line of conduct that has been pursued by the Directors of the Bank of England! It is proved in evidence before the Bullion Committee, that the Banks of the United States of America confine the issue of their notes to two-thirds or three-fourths of their capital,* and one of the partners in several of our Country Banks declares, that they limit the issue of their notes to the amount of the disposable securities which they have at command.† This is keeping their affairs within proper compass; but unfortunately the Directors of the Bank of England have not been governed by the same prudential considerations.

It may perhaps be observed, that no notice has been taken of the undivided profits of the Bank, which are supposed to be very considerable. Admitting them to amount to five millions, an estimate which is reported to have been given of them by high Bank authority, such an augmentation to their disposable funds will not invalidate the force of the preceding reasoning: for unless the Bank have not only adequate means at command, of making good all their engagements, but a large disposable capital to act upon, they are still dis-

* Report of Bullion Committee. Evidence of S. Williams, Esq. pages 104, 105.

† Ibid. Evidence of W. Stuckey, Esq. page 139.

qualified, in case of any run upon them, from giving that accommodation to trade and commerce, which was the original object of the Legislature in their incorporation.

In 1693, when the Bank of England was established, the imports and exports of these kingdoms were about $8\frac{1}{2}$ millions;* in 1809, they were 121,062,484.† The public revenue in 1693, was only 2,500,000L.;‡ in 1809, it was 71,904,297L.§ If the Legislature thought it necessary, even in those days, to divide the banking business between two Chartered Companies, as they evidently did, by the establishment of the National Land Bank, how much more necessary must such a division of this business be at the present moment? The Committee of the House of Commons, to whom the establishment of a New Marine Insurance Company was referred last Session of Parliament, and of which the present Deputy Governor of the Bank was Chairman, reported in favour of that measure, not only because they considered

* Oddy's European Commerce, book 7. chap. 2. page 461.

† Accounts presented to the House of Commons respecting the trade and navigation of Great Britain, for the year ending the 5th of January, 1810.

‡ Oddy's European Commerce, book 7. chap. 2. page 461.

§ Accounts presented to the House of Commons respecting the public income of Great Britain, for the year ending the 5th of January, 1810.

the exclusive privileges of the present Chartered Marine Insurance Companies as hurtful and inconvenient to the public, but also because "the commerce of the country had very much outgrown the capital, and the whole system upon which those Companies were originally founded." When, however, it is considered, that both the Chartered Marine Insurance Companies originally established still exist, and that only one of the Chartered Banks now remains; that both these Chartered Insurance Companies have greatly increased their original capital, and that the one remaining Bank has so locked up its capital, in permanent advances to Government, as to have no disposeable capital whatever; it will appear that every argument urged on that occasion, in favour of the establishment of a New Chartered Marine Insurance Company, applies with infinitely greater force in favour of the establishment of a New Chartered Bank.

But it may be said, all the good effects proposed by the establishment of a New Bank, may be produced by adding to the capital of the Bank of England. That the same relief might thus be given to the Bank of England, is evident; but not that the same relief would be given, either to Government or to the Public. On the contrary, both the one and the other would still labour under the weight of a monopoly, from which they ought to be

relieved, and remain deprived of those advantages of competition to which they have a just claim. Some addition to the capital of the Bank of England ought to be made, even if a New Bank were established; but the immense increase of the revenue and commerce of the Empire, renders the monopoly of the money transactions of this metropolis, too vast a concern to be vested in one Company alone. Such a monopoly, commanding an undue influence over both Government and individuals, is too overgrown a source of power and profit, to be held as an exclusive privilege by any one set of men; and like those public offices, the emoluments of which have grown out of all due proportion, becomes a just and necessary object of enquiry and reform.

If the Directors of the Bank of England were disposed to become the instruments of political power, they might direct the Government of the country into what hands they pleased; for the Minister who could persuade them to refuse their accustomed accommodation to his rivals, might render it impossible for any man, except himself, to carry on the administration of public affairs. Nor are examples wanting of Bank Directors pursuing this line of conduct. The Directors of the Bank of the United States of America, were decidedly and avowedly in the interest of the Federalists; and the Democratic party, in order to

destroy the powerful interest of that Corporation, which was exerted against them at every election, lately made a successful effort to prevent the renewal of their charter. Even in our own country, the Directors of the Bank of England, after having brought themselves into a state of embarrassment by their too large advances to Government, extorted a promise from Mr. Pitt, that no future loan or advances to the Emperor should be resolved on, without previous communication with them;* thus controuling the Minister in the most important political operations, and that too in the most authoritative tone, in order to protect themselves from the consequences of their own imprudent conduct.

The Directors of the Bank of England are exempted from all controul but their own discretion, under a constitution which imposes checks and restraints on every other class of men. The decrees of all our other tribunals are subject to revision; but from the decrees of the Bank Directors there is no appeal. Mercantile men themselves, they sit in judgment upon the credit of other mercantile men, perhaps their immediate rivals and competitors, who stand or fall, as they give or refuse them their support. It is not necessary to prove, nor

* Report of Lords' Committee of Secrecy in 1797, pages 12 and 13.

even to presume that the Bank Directors have ever been actuated by unworthy motives; for laws are made to guard against what men may do, not to trust to what they will do: and the justice of giving individuals, against whom considerations of interest or resentment may by the remotest possibility operate in the minds of the Bank Directors, an opportunity of appealing to another tribunal, is alone a sufficient reason for the establishment of a New Bank.

These remarks are by no means intended to convey any invidious reflection on the present Bank Directors. They apply to the office itself, not to those by whom it is filled; who only follow the example of their predecessors, in the exercise of powers, which, from lapse of time and change of circumstances, have become too great, and therefore ought to be curtailed.

But however strongly and unanswerably arguments drawn from the considerations hitherto adverted to may recommend the establishment of a New Chartered Bank, another powerful argument yet remains, that such an establishment may be made the instrument of putting the issues of the Bank of England to that test, the want of which is the cause of the alledged excess and depreciation of our circulating medium. If any weight is given, and certainly much weight is

due, to the arguments against obliging the Bank to pay in specie under existing circumstances, (for if the Bank failed in the attempt, the consequences both to public and private credit, at a crisis like the present, are hardly to be calculated); and if the progressive increase of the evils arising from the present state of our paper currency requires some immediate remedy, the safest and most expedient, appears to be a New Chartered Bank; at the same time extending the provisions of the Bank Restriction Bill to both Corporations, so long as it may be thought expedient to continue that Act in force; and directing daily or weekly payments between the two Banks, for the balance of their respective notes in each others' hands, either in specie, or in bullion at the Mint price.

This measure is not open to the objections that have been urged against putting specie into general circulation, in the present state of things; that the little we have left would immediately be sent out of the country, and that we should be obliged to revert to paper currency, after having destroyed its credit; while, at the same time, it appears more likely that excess would be checked, if the circulating medium of the metropolis, instead of consisting wholly of the notes of one establishment, on whose issues there is no controul, consisted of the paper of two establishments, both whose issues were controuled by the

necessity of settling with each other in a common medium; and the check given to their paper, would be felt by all the subordinate Banks throughout the kingdom.

The Bank of Scotland was established at Edinburgh by Act of Parliament in 1695, and the Royal Bank of Scotland was incorporated by charter in 1727. So many of the notes issued by the old Bank were paid into the new Bank when it first opened, that the Directors of the old Bank were obliged to resort to some unusual means of discharging them. This circumstance proved a salutary lesson both to them and to their competitors, and led to a very cautious issue of their paper; each of the Banks finding that whenever they increased the amount, so great a proportion of it found its way into the other Bank, as to put the Bank that issued it to considerable disadvantage as well as inconvenience. This example will serve as a practical illustration of the advantage of having two Chartered Banks; as well as do away the idea, that the establishment of such an additional Bank, would tend to increase the quantity of paper currency in circulation.

It may be objected, that two Banks might be induced, by the spirit of rivalry, to attempt to distress each other; but it is to be considered, that as each would possess the means of attack as well as of defence; such attempts would be mutually injurious,

and therefore not very likely to be hazarded. On the other hand, a clause in the Act of Incorporation, similar to that in the Land Bank Act, prohibiting any person from being concerned in both Banks at the same time, and another clause binding them to make daily settlements with each other, in cash or bullion at the Mint price, would preserve a proper competition between them, and prevent their forming any combination against the public, for their mutual advantage. It may, perhaps, also be objected, that the establishment of another Chartered Bank might give additional facility to discounting accommodation paper; but this suspicion will hardly be entertained, when it is considered that the renewal of such paper can be now as effectually concealed, by alternately discounting it with bankers, or with any other individuals through the agency of bill-brokers, as could then be done by discounting it with the New Chartered Bank. Indeed such an establishment would give an opportunity of a much more effectual scrutiny into the character of bills discounted than exists under the present system; for the quantity sent into the Bank of England is so great, as with the utmost exertions of the Directors, almost precludes the possibility of giving them a very minute or accurate investigation.

The evidence given before the Bullion Committee proves, that the daily payments of the me-

tropolis, amounting to 4,700,000*l.*, are settled at the clearing-house between the bankers, by 220,000*l.* in Bank notes. The balances, therefore, which the two Chartered Banks would have to pay or receive, for the difference between the amount of each others' notes which they might take in payment, would bear but a very small proportion to the whole amount of their transactions. If, indeed, either of them extended the issue of their notes in a very great degree, a considerable proportion of them would be paid into the other Bank; and the loss upon taking them up in specie, or bullion at the Mint price, would serve as a check upon their future issues. While the present system continues, the excess of notes in circulation will not be checked by its reverting to the Bank of England, because the same excess is kept up by a constant succession of fresh issues, made either in advances to Government, or discounts to individuals; but when the loss upon this excess exceeds the profit, then, and not till then, will the temptation to continue it be effectually counteracted.

These ideas, like all others in any degree of a speculative or theoretical nature, are open to objection and controversy; nor can their truth be precisely ascertained in any other mode than by their being reduced into practice. Admitting, however, for the sake of argument, that the expected benefit of giving a proper check to the present excess of

the circulating medium would not be produced by the establishment of a New Bank, so many other benefits would be produced by it, that it is one of those experiments, in which we have every thing to gain, and nothing to lose.

All the witnesses who have been examined to this point, agree in stating, that whenever the Bank are compelled to resume their payments in specie, a very great reduction in the amount of their issues must necessarily be made by the Directors. Mr. Giles says, that in 1797 the Bank would have reduced the amount of their notes to five millions, rather than have risked the large drain of cash that ensued; and being asked whether such a reduction in their amount would not have occasioned a convulsion and distress in the extensive commercial concerns of this kingdom, he answered, It certainly would; but of two evils we should have chosen the least.* Mr. Whitmore and Mr. Pearse, being asked whether if the Bank were now paying in cash, it would not necessarily experience a great drain of gold, in consequence of the high price of bullion, and the unfavourable rate of the exchanges, answered, most unquestionably it would; and that under such circumstances, they would be disposed to reduce both their discounts to merchants and their loans to Govern-

* Report of Lords' Committee of Secrecy, p. 31.

ment.* Mr. Pearse again asserts, that in such case their restricting themselves from any fresh issues, would arise out of necessity for the mere preservation of the Bank, although it would, as in the experience previous to the year 1797, produce great public distress.† Both these Gentlemen join in stating, that if the Bank Restriction Bill were repealed, the Bank would inevitably be driven to the necessity of calling in its notes, or in other words, of reducing its advances on bills, &c., which would produce that distress, which the Restriction Bill was intended to prevent.‡ With this evidence before us, from the Governors and Deputy Governors of the Bank themselves, of the consequences that will attend the repeal of the Bank Restriction Bill, whenever it may take place; whether six months after a peace under the existing law, or at an earlier period by some legislative enactment founded on the Report of the Bullion Committee, a provident regard to the interests of the public requires the establishment of a New Chartered Bank, with an unmortgaged capital, appropriated to the purpose of giving that accommodation to the public, which the Bank of England, from having locked up all its capital in permanent advances to Government, will then be incapable of affording; and the want of which will be most

* Report of Bullion Committee, p. 89.

† Ibid. p. 95.

‡ Ibid. p. 126.

severely felt, if their present monopoly is continued to that period.

Whether we recollect the vast increase of our revenue and commerce since the Bank of England was first established, or advert to the necessity of emancipating both Government and individuals from their present dependence upon the Bank of England; whether we consider the injury already done to the public by the present excess of the circulating medium, and the consequent necessity of imposing some restraint upon the issues of the Bank, or look forward to the farther injury that must inevitably take place by the sudden and violent reduction of those issues, whenever the Bank are called upon to resume their payments in specie, we shall find abundant reasons for establishing a New Chartered Bank.

The measure of establishing an additional Bank has this strong recommendation, that while it is calculated to produce great practical good, it is not suggested in the spirit of revolution, but of reformation; that it is founded upon a recurrence to the wisdom of our ancestors, and to that system which they originally established. Let us feel a just sense of the benefits which both Government and individuals have derived, and may continue to derive from the Bank of England; let us leave the Bank in possession of a due share of

power and emolument; but let us not be deterred by their greatness from confining it within such limits as are prescribed by a due regard to the public good.

Of late it has become the fashion to consider the Bank of England as an establishment, the prosperity of which is inseparably interwoven with that of the State; and this doctrine has been inculcated by several late writers on this subject. The Bank are certainly so connected with the State, by acting as its Agent, and by making advances upon the public revenue, that any sudden shock to the credit, or suspension of the payments of the Bank, would occasion much temporary inconvenience in the various departments of Government, till some other mode of making their accustomed payments could be adopted. But if the Bank were to wind up their affairs, and withdraw all their paper from circulation, as indeed was lately threatened at one of the meetings of their Proprietors, no permanent mischief would ensue; the paper of other banks and bankers, in whose solidity the public had confidence, would soon supply its place, and furnish an adequate circulating medium for the use of the metropolis, just as the notes of the Country Banks now do for the rest of the kingdom.

An adequate capital to be invested in another

Corporation, endowed with the same privileges as the Bank of England, might be raised without the smallest difficulty; nor perhaps can any undertaking be named, which would be subscribed to with so much readiness: but a new Bank, incorporated at the present moment, could only act under great disadvantages. The Proprietors would be obliged to pay interest to the Bank of England, for the notes in which their capital must be subscribed; and they could invest no part of that capital in bullion, or specie, but at a very heavy loss. These sacrifices must be considered as the necessary consequences of the present system; and would give the subscribers a just claim to the favourable consideration of the Legislature.

By thus re-establishing the precious metals, the true standards of value, in their proper office, as the medium of payment between the two Chartered Banks of the metropolis, in which the payments of all the other banks would center, we should take one great step towards the general resumption of payments in specie; and the publicity that has lately been given to the discussions on the state of our circulating medium, makes it doubly incumbent upon us to repel the insinuations of the enemy, that we are only supported by the emission of assignats, (as he terms our Bank notes,) whose value is daily depreciating. This we shall most effectually do, by putting the issue of them to a proper

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test; and at the same time we shall prove, both to him and to the world, that the wealth and power of this country stand upon a more solid foundation—upon the industry and enterprize of a people, whose exertions are animated by a confidence unknown to any of his subjects; a confidence that their persons and property are secure, under the guardianship of a free Constitution.

FINIS.