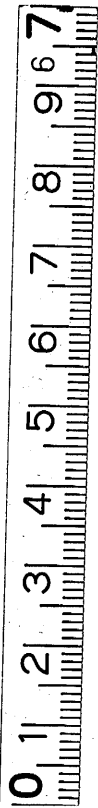


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THE
SUBSTANCE
OF A
S P E E C H
DELIVERED BY
LORD VISCOUNT CASTLEREAGH,
IN A
Committee of the House of Commons,
MAY 8, 1811;
ON
THE REPORT
OF
THE BULLION COMMITTEE.

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ERRATUM

In some of the copies first struck off.

Page 17, line 9 from the bottom, after the word "tender," the reader is requested to add—"on the part of the Bank of England, in discharge of their notes,"

THE
SUBSTANCE OF A SPEECH,

&c.

MR. LUSHINGTON,

I AM induced to offer myself to the Committee, in the present stage of the discussion, from a desire that such errors as I may have fallen into, in considering this important and complicated question, may be corrected by those who are yet to follow me in the debate.

However dry the subject may be in its details, I am satisfied it will receive the patient attention of Parliament. It is essential to the best interests of the empire, that this question should not only be decided speedily, but that it should be decided upon a consideration, so ample, of all its bearings, that the judgment of the House may have the

effect of finally settling the mind of the country upon it; for one cannot well imagine any thing more fatally injurious to the prosperity of a state, whose power in war, and whose advancement in peace so intimately rests upon its public credit, than having a question, such as this, hung up in suspense, to be debated from year to year, to the encouragement of the enemy, to the dismay of our own people, and of those nations in the world who look up to us for protection.

I lament the embarrassing predicament in which the Committee is placed by the shape this discussion has taken. From the Report itself, as well as from the Resolutions of the honourable Mover, we had every reason to presume that, if Parliament was called upon to investigate abstract propositions, on a subject so peculiarly delicate, complicated, and abstruse, at least we should have had to discuss them with reference to some precise practical remedy to be applied to the evil which they declared to exist: but we are now desired, at least in the first instance, to consider the speculative branch of the question, distinct from the recommendation of the Committee, that the Bank should be compelled to resume its cash payments at the end of two years; and the honourable Chairman (Mr. Horner), in no very equivocal

terms, has apprised us, that, although he individually adheres to the propriety of that measure, he is not likely to be supported in that opinion by other members of the Committee, who have concurred in his general theory as to the state of our currency; and, from the speeches of two other members of the Committee (Mr. Thornton and Mr. Huskisson), who have spoken in the debate, it does not appear that this remedy is to be pressed by them. What then is the situation that Parliament is placed in? The House is called on to decry the system of our currency, to stigmatise the Bank for an erroneous, if not an abusive administration of its functions, without having any distinct measure of correction suggested for their adoption; for surely the honourable member (Mr. Thornton) cannot suppose that we should have advanced much towards remedying this supposed evil, were we prepared to concur with him in assuming that Bank-paper might by possibility be issued to excess, when he is not prepared to inculcate the Bank, by declaring their issues to be at present excessive. What guide can it be, in the exercise of their trust, to inform the Directors of the Bank that we think their issues of notes ought to be limited, if we cannot inform them by what principle, or to what amount? I am sure,

were I a Bank-director, I should feel utterly incapable, from any thing which has fallen from that honorable member, of judging in what manner I should hereafter conduct myself, or in what respect I should vary, or depart from, the principles upon which I had hitherto governed my conduct. The only other suggestion, which has been thrown out, is that which fell from the honorable member who spoke last (Mr. Huskisson), namely, that, during the interval of the Suspension Act remaining in force, the Bank should augment its stock of Guineas; that is, that we, without knowing what the extent of the treasure in the Bank now is, should require the Directors to go into the market with their notes, at the present advanced price of gold (for by no other means could they purchase bullion to be coined), in order to add to their stock of guineas. The injurious effects which an increased demand for gold must have, upon the present disordered state of the exchanges, the House will compare with the very limited supply it might be possible for the Bank, at this moment, to procure in the market, even at the exorbitant price at which standard gold now sells.

That the House has always been reluctant, unnecessarily to commit itself, to affirm or deny

abstract propositions, I need not remind the Committee—that such a course must be peculiarly hazardous, on such a case as the present, is obvious, from the complicated nature of the subject; but if the Committee should want any special warning to awaken them to a sense of the danger of such speculative judgments, they will find it in what took place in 1804, in a case similar, in all its leading features, to the present.

It is true no attempt was then made to involve the House itself in the decision of the Committee, which sat upon the exchanges with Ireland; but we cannot forget, that, in their Report, the Committee delivered an unqualified judgment, that the extraordinary rise of the exchange against Ireland, amounting at that time to 118, or about ten per cent above par, was exclusively produced by an excessive issue of Bank-of-Ireland paper. And it is the more material to advert to this case on the present occasion, as the Committee, whose Report we are now considering, not only refer to the Report of 1804, as fortifying their judgment upon the general principles they have laid down, but they positively assert, that the same evil actually received a remedy from a reduction of the Bank issues at that period in Ireland. Now, what is the fact?—the Re-

port of the Committee was made in June 1804: the Bank-of-Ireland notes, outstanding at that time, were about 2,900,000*l.*; the exchange had been at the highest in the month of March preceding; from which period it gradually declined, without any reduction in the amount of Bank paper, till the first of January 1805; when it was reduced to 8½, or nearly par, the bank-notes in circulation being then 2,902,000*l.* The exchange continued, throughout the whole of that year, to fluctuate a little above par, never higher than 11. It is true, in the following autumn, the Bank issues were reduced about 400,000*l.*; but the exchange had recovered itself for months before this reduction (a reduction not very considerable in itself) had taken place: and it is singular to observe, that, during the period the notes of the Bank of Ireland remained at this reduced standard, viz. throughout 1806 and part of 1807, the exchange became somewhat higher against Ireland, whilst it fell to par, and under, in the year 1809, when the Bank issues were again augmented, viz. to about 3,100,000*l.* at which scale they have been since continued.

I state this, to shew the danger of unnecessarily hazarding a parliamentary judgment on a speculative point. I call it a speculative point,

because, although the Committee were peremptory, at the time, in their assertion, both with respect to the evil and the remedy, they did not attempt to recommend the actual adoption of the latter. It was fortunate nothing was attempted, for the Committee had no sooner committed themselves to the principle, than it was disproved by the fact of the exchange falling to par, the bank-notes outstanding remaining the same, and this at a moment when our foreign exchanges were favourable, when the price of bullion was nearly at the mint price, and when it is impossible to alledge, that the paper of the Bank of England was depreciated, even in the erroneous sense it is now contended that it is. What were the causes which, in fact, disordered the exchange with Ireland, at that moment, it is not now necessary to occupy the attention of the House, in examining at any length; it is enough, as applicable to the view with which I refer to it, to know that the cause assigned by the Committee was not the true cause. Without entering into a detailed exposition of the opinions I then held in opposition to those which prevailed, I will only shortly observe, that, as a member of that Committee, I was induced to attribute a great proportion of the disparity of

value, which prevailed in Ireland between the coin and Irish bank-notes, to the efforts which a people, long habituated, almost exclusively, to a gold currency, will make, by a premium on the coin, to obtain and preserve it in circulation after the ordinary channel of supply is cut off. The Suspension Bill of 1797 deprived Ireland of that supply of guineas which was regularly transmitted, principally from the Bank of England, to Dublin, to replace the large quantity withdrawn from Ireland, in retail payments for British coals, freights, &c. It was only by degrees that the habits of the people of Ireland, particularly in the northern counties, could be reconciled to transact their business in notes. As guineas grew scarce, those who had to purchase commodities were obliged to have recourse to a premium, to collect the quantity of guineas they required, till the inconvenience at last became such, to both buyers and sellers, that the use of paper became, in a great measure, general. With the reduced demand for guineas the premium fell, and, in the same proportion nearly, the rate of exchange rose, and this without any apparent connection with the quantity of bank paper in circulation.

I am desirous now of applying myself to the Report before us, and, in differing with the opi-

nions of so intelligent a Committee, I feel all the deference that is due to their authority. The authority of the honourable member who spoke last (Mr. Huskisson) is entitled to great respect from his experience on such subjects; but, where it is attempted, by a Report of this nature, to shake a system which has repeatedly received the sanction of the whole legislature, in the successive acts passed for the suspension of cash payments at the Bank, which was originally introduced, and subsequently continued under Mr. Pitt's auspices, I cannot consent blindly to submit myself, either to the judgment of the Committee, or to that of the honourable gentleman. The subject is of too great moment to rest upon any authority, however high: none should preclude its examination, and all I desire is, that it may be decided by the House upon its merits alone.

The preliminary point to be considered, is the principle upon which it is asserted that Bank of England notes are depreciated. It is contended that they contain, on the face of them, an obligation, that their amount shall be paid, on demand, in the standard coin of the realm, such coin being the only lawful money of Great Britain; that such payment is now withheld; that, the quantity of the precious metals, which the

holder of a bank-note is entitled to receive, in standard coin, being worth, at the present market price of standard bullion, more than the note itself, the holder is consequently deprived, from the nature of the payment he receives, of a part of his just advantages.

This divides itself into two questions; first, whether, if payment was made in gold coin, the person receiving it, without a violation of law, could derive this advantage from it; and, secondly, whether his not receiving payment in coin, under the special circumstances which occasioned the Bank Restriction Bill, does not rest, not only on the sanction of positive law, but of a law enacted in perfect consistency with the spirit and obligations of the original contract, under which the valuable consideration was given for the bank-note.

Upon the first question the law is clear. No person can deface or melt down the current coin of the realm, being of standard weight. It cannot be converted, therefore, into the shape of standard bullion, to be sold, without a violation of that law, with reference to which the obligation of payment in gold by the Bank must be interpreted to have been contracted. Gold, obtained from coin not of standard weight,

may be melted down, but it cannot be sent abroad without fraud or perjury, or both combined. The person receiving the guinea ought, therefore, in strictness of law and good faith, to apply it to purposes of internal circulation only; and, so used, there is no reason to presume that it passes at a value, in Great Britain, superior to a bank-note. If the note commands the same value in commodities, and performs all the same functions, so far as relates to internal circulation, as the coin, there is no just ground to consider the note as depreciated: both the note and the coin were intended for internal circulation, and for internal circulation alone. The contingent but illegal profit derived from diverting the coin from its legitimate purpose, is a species of value, which the bank-paper never was, in equity, or in fact, intended to represent. It is only through the operation of causes destructive of the established system of our standard coinage, that this advantage can attach to coin over bank-paper. To derive such an illicit benefit is an abuse, and, so far as it may operate at this moment to occasion a disparity of value between coin and notes, the difference is very incorrectly described under the term of "A depreciation of bank-paper."

The honorable member (Mr. Huskisson) has

argued that this is a very erroneous system of coinage; that it is idle to think of preventing the standard coin from being melted, or exported; and he has gone into a great deal of general reasoning, to suggest an improved arrangement of our coinage: but it is enough, for my purpose, that such is the system at present established by law. Whether the honorable member's plan would be an improvement, may admit of question; but sure I am, that we are not now in a situation to undertake a reformation in the system of our coinage.

The second question, viz. the nonconvertibility of the bank-note into cash, upon demand, must certainly be admitted to be an abandonment, for the time, of the standard coin as the medium of our payments; for, although the act does not render bank-notes a legal tender for debt, yet it must have been foreseen that, when the Bank, the main source of our circulation, ceased to issue gold, individuals, as well as private bankers, must experience a similar indulgence from their creditors. The legislature did not deem it necessary, as a part of the original measure, to protect debtors generally against their creditors, by compelling the latter to accept Bank of England notes in discharge of their demands. They

thought they might safely leave the established credit of the bank-notes to work its own way in circulation; and the experience of fourteen years has not furnished a single instance of payment in coin being insisted on (I mean in Great Britain), where notes were tendered. Guineas have circulated, notwithstanding the Restriction Bill, in considerable abundance, at par with bank-notes; and if they have latterly, in a great measure, disappeared, the cause is to be found in the extraordinary crisis of our commerce with the continent, together with the magnitude of our military expenditure abroad; causes which have, in this country, given a new and excessive value to the precious metals.

That the Restriction Bill, if passed under an adequate necessity, does not constitute, or sanction any breach of faith, between the Bank of England and the holders of its notes, is clear, when we advert to the nature of that great corporation. It is not, in its constitution, simply a bank of deposit, as the Bank of Amsterdam, where no other value is received than deposits of silver; and for the return of which silver, on demand, to the person holding the note, or receipt of the Bank, there can be no justifiable excuse. The Bank of England is a bank of discount, as well as

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of deposit. It is notorious, to all holders of their notes, that a large proportion of their funds are, at all times, lent out upon credit, although in general returnable at short periods; that their supply of guineas never can be equal to answer all their notes, if suddenly pressed upon them for payment; that the solvency of the Bank of England, indeed of all banks, as far as cash payments are concerned, has always rested upon the presumption, that the demands upon them for gold would be confined within certain limits. This understanding is the foundation of the banking system, and whoever takes a bank-note, must be understood to accept it subject to the contingency that a case may arise, the consequence of public calamity and alarm, which would render it impossible for the Bank to continue to supply a circulating medium to the country, paying, at the same time, its notes in cash. Such was the actual case in 1797, from a combination of causes, principally arising from internal alarm; the drain of gold became excessive, and so rapidly augmenting, that it was apprehended, if a remedy was not immediately applied, the Bank, with resources largely exceeding all demands upon it, would have been exhausted of its specie, and compelled to discontinue its functions. Its outstanding

notes, coming in to discharge the securities upon which they were issued, would have liquidated all claims upon the Bank; but the Bank could no longer have ventured to re-issue them, subject to payment, being demandable in gold. The Bank, under such circumstances, must have ceased to act, and, with the Bank of England, all private establishments. The country would thus have been left without any circulating medium, except the coin withdrawn, which, always forming but an inconsiderable proportion of our mixed circulation, would, in a great measure, have been hoarded, as a considerable portion actually was, under the then existing alarm, and the whole industry and transactions of the community must have been convulsed from the want of an adequate circulating medium.

It is obvious that the law, which makes the standard coin the only legal tender, on the part of the Bank of England, in discharge of their notes, proceeded upon the supposition of a natural state of things. It never could have been intended, under extraordinary circumstances, to enforce impossibilities; and the rights of persons, under that law, must be considered as circumscribed within certain practicable limits. It cannot be the right of a portion of the community, holding such secu-

rities, by being the first to press forward for payment, to take a benefit which cannot be partaken of by others similarly entitled. A modification of the right becomes, therefore, necessary for the purposes of justice, and the interest of the whole. The power of applying that modification must rest with the legislature, and the only question that can arise, at such a moment, is, whether an adequate necessity did exist, to justify a temporary suspension of the money system of the country. If so, Parliament is competent, in this, as in all other instances, to provide for the public interest. Parliament did so provide in the year 1797; the necessity was of a description that admitted of no alternative, and it is of the very essence of the contract, on which a circulation such as ours rests, that it should be subject to such a modification.

I trust I have proved, that the passing of the Restriction Bill was no breach of public faith, and that it was called for by the necessity of the case. It has been since continued by successive acts of Parliament, the last enacting, that it shall endure till six months after a definitive treaty of peace. I have been the more solicitous to defend the character of this measure against the obloquy to which it has been exposed, considering it to be one of those conservative remedies, to which, in

future times of corresponding emergency, recourse must be had, if a similar necessity should recur, to preserve public credit from the fatal consequences of ignorant alarm, or fraudulent operations upon our coin. I have no hesitation in admitting, that, like the suspension of the Habeas Corpus Act, or the exercise of martial law, it is a surrender, for the time, of the sound and legitimate regulations of our ordinary system; the object has been, on these occasions, by such temporary surrender, to preserve the system itself from destruction. It is the more material, that the true character and tendency of the Restriction Bill should not be misconceived, as the circulation of this country, for reasons which I shall now explain, and from causes not within the province of law to regulate, but growing out of the habits of our people, and the increased confidence between man and man, is likely to undergo a change, which, although in most respects advantageous, may hereafter render it more vulnerable to injuries of the description from which we now suffer.

When I speak of our circulation in a sound state, I mean a circulation, composed of Bank-paper and coin, in such proportions as will enable any man to convert, at his pleasure, his notes into coin. I do not consider a circulation, purely

metallic, or wholly of notes, as falling within this description; the former is only the device of barbarous ages, and wholly incompatible with the extended wants of a commercial country such as this; and the latter is defective, however well administered, when not convertible into coin, in being exposed, from ignorance, misstatement, and public alarm, to distrust and discredit.

When I admit that a mixed circulation, such as was established by law previous to the Bank-Restriction Bill, is the only sound and natural state of our currency, yet the Committee will perceive, even when the circulation exists in this its most perfect state, that it must depend on the habits of the country, and not on institutions of positive law, in what proportion the precious metals shall remain in use. If coin is little in demand—if all bargains are made in paper—if the people prefer paper as more convenient, except for the smaller payments, as more rapid in its circulation, and of more easy application to all purposes of sale and purchase—if guineas are little sought after, where the credit of the particular paper in use is not suspected, and, when it is, if the holders of such suspected paper are only desirous of converting it into other paper of more undoubted character,—it is plain the quantity of coin circulating within the country, compared with the paper, will be

proportionably small. The various banking establishments will frame the scale of their cash balances upon the accustomed demand for guineas; less coin will exist in the hands of private individuals; and, although the Bank of England may, upon principles of provident caution, not allow their stock of guineas to be diminished, yet the collective coin of the whole system will be less; and in the same proportion will it be exposed to be affected, either by those causes, which may suddenly revive an internal demand for coin, or by those external influences which, by drawing away the precious metals, first in the shape of bullion, and, secondly, of coin illicitly exported, must have a tendency to disturb a system, where the coin is not in such abundance as to bear any very considerable reduction.

That such may be our situation, if the country flourishes and credit improves, may be inferred from observing the distinct character which the habits of the people had given to the currency, in different parts of the empire, previous to any restriction on the Bank. In Ireland, where, for various reasons, credit between man and man was less firmly established, the great mass of payments, and nearly all bargains, were made in coin. In England, dealings were generally in paper.

and coin only used to effect the smaller payments ; but with no observable preference, in those who bought or sold, in favour of coin. In Scotland, on the other hand, the circulation was almost exclusively paper ; not only was there no predilection, in the mass of the community, for guineas, but so evidently the reverse, that you would almost suppose some notion of depreciation attached itself to the coin, in that part of the united kingdom. And here the learned mover will permit me to remark, that it is somewhat whimsical the press of Scotland should have been the loudest in sounding the alarm on this subject ; that those who had passed their lives almost without seeing or wishing for coin, should, just at the moment when its scarcity had become inevitable, be seized for the first time with the desire to convert their paper into gold. Surely this feeling is a little perverse, if it does not originate in contemplation of those illicit profits, which can now be made from melting and exporting our coin. But to return to the question.

Since the Restriction Bill took place, a great change has been wrought in the habits of the Irish people with respect to their currency ; they have become, in a great measure, habituated to the use of a paper medium ; they find the supe-

rior convenience of it in many respects, and, I am confident, never will return (even when coin can be procured in whatever quantity they choose to purchase it) to the same exclusive use of coin which formerly prevailed. Observing, then, what has passed, what is passing, and adverting to the tendency which all nations have to retrench the expence of using the precious metals in circulation, in proportion as confidence and credit give facility to a paper currency, I think myself warranted to infer, that the habits of the people of this empire will have an insensible tendency to retrench, to a considerable degree, the use of coin ; and that the progress of our system may be to assimilate itself, in a considerable degree, to what has been so long the practice of Scotland.

The Committee will, I hope, keep in mind, that, in referring to the practice of Scotland, I am not calling in question the principle of cash payments on demand, as being the indispensable basis of our money system in ordinary times. I shall hereafter examine the comparative advantages and disadvantages of the temporary departure from this system, which has been forced upon us by the injustice and violence of the enemy,—all I wish now to mark, is, with how small a use of

coin the transactions of a country may be conducted: this Scotland has proved, and it is deserving of notice, that, in the last seventy years, there has not been a single instance of a bank in Scotland proving insolvent. The Ayr bank, it is true, suspended its payments, but ultimately paid all demands upon it; and it is not only remarkable that Scotland has been peculiarly exempt from bank failures, but that, from causes which I shall hereafter advert to, connected with the localised nature of its currency, it has suffered less from individual bankruptcies, than any other part of the empire; especially during the crisis of 1793, the effects of which were so severely felt in England.

We should be aware, then, that what happened in 1797, may happen again; we should remember what has been the lot of the country under the Restriction Bill, and not throw unmerited odium on a system, which has carried the empire through such mighty difficulties. We should never forget, that this measure, by supplying the country with a circulating medium of undoubted credit, proportioned to its wants, has, for the first time, solved the problem of reconciling national prosperity with a state of war. In former contests, the country invariably declined in its

commerce, in its revenue, and even in its industry. In this war, whilst our exertions, both by land and sea, have in extent surpassed all former efforts, the country has risen in manufactures, internal improvement, revenue and commerce, with a velocity which has never been experienced in a period of profound peace. In the American war, its inevitable termination might be calculated from the decline of our resources; in this war, we feel that our resources are augmenting, and that there is no necessary limit to our exertions in point of time, so long as the injustice of the enemy shall leave us no other rational choice but perseverance in the contest. What is this owing to? principally to the Bank being enabled to do its duty by the country, without trembling for its own safety. Instead of ruinously, I mean as far as concerns the interests of the public, at every moment of temporary pressure or alarm, contracting its issues to protect the establishment itself from being drained of its gold, they are enabled to support public credit with a steady hand; the productive labour of the country, which is its true and only wealth, is not only kept up, but enabled to extend itself; the taxes are collected with facility; the loans are raised on

moderate terms, and the whole machine proceeds without betraying a symptom of decline. It may be said, if such are the advantages of the system, you must surely mean to render it permanent, at least, as a war measure. My answer is: that I do not hold any such opinion. And why? Because I do not believe, in ordinary cases of war, and when commerce has its accustomed freedom, that it is necessary to do so. I am on the contrary ready to admit, that the adoption of such a measure can only be justified by an adequate necessity. In the present instance, what is the fact? that the Ruler of France has determined, at the price even of inflicting commercial ruin upon those over whom he rules, to exclude your trade from the continent. If he does not succeed effectually in doing so, if much still finds its way, his system has had the effect, comparatively at least, of turning the balance of intercourse against us, and thus influencing the exchange. His decrees are less effectual, to prevent the produce of the continent from finding its way to us, than in excluding our produce from the continental markets. Hence an obvious cause of an unfavourable exchange. In ordinary times, the immediate effect of such an unfavourable exchange would be, by a

reduction of price to the foreign consumer, resulting from the advantage of the exchange, to force out a greater proportion of our manufactures; the quantity of bills would be thereby augmented; and the precious metals would, in but a comparatively small amount, be sent abroad. So long as goods could be applied to settle the account, the price of bullion would not rise materially above its natural price. But now goods cannot be sent as in ordinary times. It is not price that limits the quantity of our exports; it is the risk and difficulty of introducing them into the continent, where they sell at an advance of more than 100 per cent. What then must be the result? either that our imports must be reduced, or the precious metals be sent out as that export which can most easily find its way to the continent. Is it not obvious that this must drain the country of its bullion; that, in proportion as the stock in hand (a very inadequate resource, even including the fraudulent aid of our coin) diminishes, the price must increase—and to what extent? I can assign no other limits than the premium a rich and powerful country will pay rather than be denied the means of luxurious enjoyment, or the means of assailing the enemy, and of defending itself. If, as a nation, we are content to pay 25 per cent, rather than be deprived of the wines and

brandies of the continent, or be restricted in the quantity of naval stores we require for both our public and private demands; or abandon the cause of our allies, and our own in the field; is it difficult to understand why the price of bullion rises, without referring it to a fall in the value of bank-notes? And, if the rise is such as the exchange now indicates, is it not certain that the coin will be melted and exported?

The result seems to be, that, although in ordinary times—time even of war, your gold coin, protected by laws, the efficacy of which is now wholly incompetent to struggle against the existing temptations, may maintain itself in circulation; and the banking system of the country proceed in its accustomed course, subject only to those slighter checks, which never can justify recourse being had to a bill prohibiting the Bank from issuing coin; yet that, in other times, and especially such as we live in, we have no option, but to counteract the system of the enemy by one of corresponding energy. If you do not, the Bank must either shut up, or contract its issues to such an extent as to give an artificial value to the paper currency, from its scarcity, equivalent to the advance of price on gold. This may check the gold from going out of the kingdom, but at what sacrifice? at the risk of that convulsion to

which, lowering suddenly, the value of all property within the country, to an equal amount, must necessarily lead. The Committee have laid it down that the Bank ought to be guided in the amount of their issues by the state of the exchanges and the price of gold: this must mean that they are to counteract the influence of the exchange by this means, and to keep our currency, as it is said, upon a level in value with the currency of the states of the continent. If this is to be done, the *quantity* of circulating medium is not to depend on the internal wants of the country; it is not to be kept up to its accustomed amount, with such additions, from time to time, as the augmented extent of our transactions may require; but it is to be regulated with reference to our external intercourse, and to exchanges influenced by the power of the enemy. If such a principle were acquiesced in, I apprehend the control of our circulating medium would at once be surrendered to the enemy. Could you hold out a more powerful motive, to the Ruler of France, to multiply his restrictive efforts against our trade, than to suffer him to suppose that he possessed a decisive influence over our internal currency, as well as over the whole property of the country?

To what an extent of mischief must it not lead,

so long as foreign exchanges, and, with them, the price of the precious metals, are convulsed by the violence of the enemy, should the scale of value within the country be made to undergo similar variations: yet such must be the case, if the exchanges and the price of gold are to determine the amount of bank issues. The value of property would become so uncertain, that no man could judge one day what he would be worth the next. The quantity of circulating medium must be so enormously and so rapidly reduced, as to throw every thing into confusion: yet such must have been the result, if the Bank-Restriction Bill had not passed.

But why should we throw away the benefits proposed and experienced under that bill, by voluntarily inflicting on ourselves the mischiefs it was intended to obviate? That bill was passed to protect the country against the evils of having its circulating medium deranged by the demand for guineas resulting from internal alarm. It is continued to protect us against a demand for gold for exportation, in its extent equally incompatible with our being enabled either to procure or preserve a metallic currency. I am ready to admit that our present system produces a temporary abandonment of the accustomed standard. In

ordinary times, the gold coin is the standard, by which the value of bank-paper, and of all other commodities, is measured. It is chosen as our standard, because, whilst commerce is free, it is more uniform than any other. It is now, for a time, relinquished, because it has become the least uniform. If gold, in coin, cannot be preserved, by force of law, from being melted, in ordinary times, when bullion, in its nature equivalent to a bill of exchange, has advanced 20 per cent, how can coin remain in circulation? So far as guineas, since 1797, have made any part of our circulation, they have in great Britain been at par with bank-notes. I mention this as a conclusive proof that bank-notes have not been depreciated; protesting, however, against the converse conclusion: that even a disparity of value between the coin and bank-paper, such as we have witnessed in Ireland, necessarily establishes, for reasons already alluded to, the fact of depreciation. But, when the Restriction Bill passed, the principle of coin and paper being universally convertible ceased. The consequence has been to preserve for better times, in the coffers of the Bank, the gold coin, which would otherwise have been hoarded or exported; and the effect has been, to enable the Bank to regulate its issue of notes by the wants

of the country, instead of being guided by considerations of mere banking security.

But it is said, out of this has grown a great evil, which would not have happened, if the Bank had not been released from the ordinary control of cash payments: their issues have been excessive, and their paper is now depreciated. With respect to the first point, it appears to me, that too much reliance has been placed by the Committee in their Report, on the infallible nature of this criterion, namely, payments in cash on demand, for regulating the due amount of Bank issues. We are all agreed, that, in ordinary times, this must be the regulating principle, and that, whatever may be its defects or inconveniences, they must be submitted to; but do not let us overlook their existence, or desire gratuitously to expose ourselves unnecessarily to their operation. My persuasion is, that in prosperous times, that is, when no run upon the Bank is apprehended, this regulating principle is of little help to the Bank in guiding their judgment with respect to the quantity of paper it may be fit for them to issue; whilst, in times of difficulty, it leaves them no option but to restrict, for their own security, their issues, often to an extent they know must be prejudicial

to the public interest. When they are under no alarm for their stock of guineas, what other restraint are they subject to, than that prudential reserve which now influences their judgment, in regulating their issues?

The supposition that their issues are at present excessive, rests upon no proof: upon the best estimate that can be made of the total amount of circulating medium now in existence (including private bankers' notes), it does not appear to exceed what existed previous to 1797, in a greater degree than is required by the immense increase of our trade, revenue, and manufactures, the advancement of agriculture, and every other branch of internal improvement; the whole conducted under the accumulated expence of increased taxes and advanced prices of labour. The country possesses considerable security against excessive issues, from the rapidity with which any excess is known to return upon the Bank; and this return cannot be better proved than by what may be observed to happen after the dividends are issued, when the additional quantity of notes thrown into circulation, generally amounting to several millions sterling, reduces itself in the course of a few days, and, at the end of a week,

or ten days, the bank-notes outstanding are insensibly restored to their former level.

But it is said, although bank-notes may not be depreciated, the quantity issued is such, as to occasion a progressive advance in the price of all commodities, injurious to the interest of the consumer, and ultimately to that of the manufacturer, by its tendency to check export. This idea is formed upon a very mistaken view of the question. I do not mean to contend that the facility of procuring discounts does not encourage speculation, and what is called over-trading; or that, where such facilities are given, the number of failures will not be augmented; but then it should be remembered, whilst some evil is produced by such speculations, much advantage results. What is it but this adventurous spirit of commercial enterprise which enables our merchants to contend against the decrees of the enemy, and to find out, in the midst of war, new channels for our superabundant produce? This evil will restrain itself. The sagacity of the lender will keep the borrower within bounds, and, in the progress of time, though individuals may suffer, the nation will be benefited.

But the effect of a full circulation upon prices

at home I conceive to be the reverse of what is supposed. I admit the first effect of a reduction of the circulating medium would be to lower prices, the value of the circulating medium itself being enhanced in proportion to its scarcity; but it would soon operate in a corresponding degree to check reproduction; and, although the produce on hand would sell cheaper, less being produced, the prices must speedily rise again, the demand continuing the same, from the scarcity of the articles. Whereas, an abundant circulation, encouraging reproduction, the competition between the sellers infallibly lowers the price, and the consumer obtains what he requires on the lowest terms for which the commodity can be profitably produced. For these reasons I cannot admit that prices are injuriously influenced by a redundant circulation, resting on principles such as those which govern the issues of the Bank of England; and I think I may venture to assume, from the diligence of the Committee, that, if they could have traced any advance of price in the leading articles of consumption, which could be fairly shewn to connect itself with the alleged excess of notes, they would have annexed to their Report tables of the prices current during the period which has elapsed since the Restriction Bill took place. So

13 / far from prices having advanced in the two or three last years, since exchanges became unfavourable, and bank-notes are assumed to be depreciated, I believe the fact to be the reverse; that the rise has been gradual for a series of years past, in degree not more than commensurate with the growth of taxes; and that, in the three last years, when the excess of notes has been most complained of, there has been rather a decline than an advance in the prices current.

The most important question, however, remains to be discussed—namely, whether there is any sound principle, on which it can be alleged that bank-notes are depreciated. It is much to be lamented that such an assertion should have been hazarded, or such a term as depreciation applied, in a parliamentary document, to the established currency of the country. I need not impress upon the minds of those to whom I address myself, what an effect it must produce in Europe, if such a conclusion should receive the countenance of the House of Commons: I trust the Committee will feel it incumbent upon them to pronounce a decisive judgment to the contrary. But it is impossible not to look with some alarm to the injurious effects upon our public credit abroad, which such a suggestion, from a Committee of this House, is

calculated to produce. May not the foreigner interpret the word "depreciation" in the sense he has always understood it, as referable to his own depreciated paper currency, viz. that it requires so much more of this paper to purchase any given article of life? May he not infer, that our bank-paper is following the same course which the French assignats, and other forced paper currencies, have run, and that our resources may soon be similarly exhausted? Can we hope that the limited meaning which the Committee alone intend to annex to the word "depreciation" will be adverted to, and that a more extended sense will not be given to it? The Committee, I apprehend, mean to say, that, when bank-paper is not convertible at the will of the holder into coin, and when the quantity of gold contained in the coin might, if sold in the market, produce more than its value in bank-notes, as regulated by its standard price, this constitutes depreciation, notwithstanding bank-notes may continue to command the same amount of produce, or labour, within the country as before: and they further describe the difference between the market price of standard gold in notes and its mint price, as the precise measure of the depreciation thus imputed to bank-paper.

If the Committee choose arbitrarily to annex

such a meaning to the word depreciation, when so explained and understood, it is impossible to oppose any other reasoning to the proposition, than to deny such to be the ordinary or fair acceptation of the term. I consider bank-notes as intended, in common with the coin of the realm, to constitute our domestic circulating medium, and each to bear a certain fixed ratio of value to the other, and to all the other commodities of the country; the latter subject, however, to the variations of a market price, perpetually fluctuating, and to the progressive advance of price which increase of taxes and other circumstances affecting the charge of reproduction may necessarily occasion. I use the term domestic circulating medium, because the policy of our laws never intended that either our coin or our bank-paper should constitute any part of our foreign currency, or means of exchange with foreign states: that operation the law has assigned to commodities and to bullion, with the agency of bills of exchange.

I apprehend it is no answer to this reasoning, to say such a law is nugatory in itself, and that the coin will be exported in defiance of law: the principle is not the less true, nor can it be pronounced impracticable in its application, except in the convulsed state in which trade now

is, when bullion has acquired a supernatural agency, and consequently a supernatural value.

As both coin and paper are intended to act as mere domestic instruments of circulation, any influence which diverts either from that purpose has a direct tendency to derange the machine of circulation, by altering its proportional amount to the business it has to transact. What has been the effect of the Restriction Bill, and the fraudulent export of our coin? To reduce the machine of circulation to the extent of the guineas withdrawn, suppose to the amount of 20 millions. What must have been the effect of such a quantity withdrawn and not replaced by paper? That the remainder of the circulating medium, supposing it 20 millions more, must have doubled in value, and all commodities fallen one half, to the entire subversion of all existing contracts, the convulsion of public credit, and the probable interruption of national industry.

What then became necessary? Why, that the place of the coin withdrawn should be supplied by paper, and to such an extent as to preserve, not to alter the relative proportion previously subsisting between the circulating medium and the circulating property of the country. If the proportion is preserved, the value of the paper

must remain unchanged as a medium of internal purchase; and such I believe to be the case: my conviction is, that, subject to variations in prices, arising from other causes (which would have equally operated had paper and gold been interchangeable), bank-paper has preserved its full standard of value with all other commodities, bullion excepted. It may be said, how can you prove that proposition, when paper is not convertible into coin on demand? My answer is—
 /// can you prove the reverse? It is a matter of opinion, and I refer to the current prices, fairly examined, in support of my opinions.

But it is said the paper is the mere representative of the precious metals, and is depreciated when not convertible into them: but is it seriously meant to be contended that gold may not be augmented in value 20, 30, 50, or 100 per cent, from special causes such as are now in operation? and, if so, on whom is the loss to fall of supplying coin at such a price? Can it be imagined that the Bank is bound both to find gold and to keep up its circulation of notes, when such is the demand for the precious metals to be employed in war, and in purchases abroad? The Bank, if permitted to discontinue its issues, to leave the commercial world without discounts, and to bring ruin on all private, commercial, and banking

establishments, might, without delay, I have no doubt, pay off all its outstanding notes in gold. I have no doubt also, notwithstanding the present disturbed state of the world, that, by contracting their issues to 3 or 4 millions of notes, the Bank might continue uninterruptedly to pay in cash; the unnatural value thus given to the circulating medium, from its scarcity, counterbalancing the extraordinary demand for gold to send abroad: but the effect must be, that the nation, for all practical purposes, would be left without an adequate circulating medium; the Bank would suffer in a comparatively small degree; but the nation must be ruined.

To assert, then, that notes have fallen in value, because they have not risen with the precious metals, or that they have fallen, compared with the currency of other countries, because they are not convertible at this moment, without loss, into them, does appear to me to be a most inaccurate state of the question, founded on a total misrepresentation of the first principles of our paper currency. As a corollary from which error, the Committee have deduced the principle, that the exchange between any two countries never can exceed the expence of transporting the precious metals from one to the other; a fact disproved in daily

practice, and proceeding upon the strange assumption, that the quantity of bullion to be procured within any country is unlimited. It is true, a person who possesses a pound of gold in one country, may command a pound of gold in any other, at the utmost, for the cost of transporting his own gold there: but the person who has no gold of his own, must, in addition to the expence of transport, first buy the pound of gold at whatever price the quantity in the market, compared with the demand, may impose; and then the expence to him of the exchange will be the increased price of the gold added to the expence of transport. In truth, the fallacy is not less evident in the former case, as the expence to the person who possesses the gold is what the gold is actually worth if sold, and which he sacrifices when he sends it abroad.

It appears then altogether unfounded, to assert that bank-notes are depreciated; and, if I were obliged, between two propositions, both of which I disapprove, to vote for one, I should infinitely prefer passing an act to require the Bank to resume its cash payments at the end of two years, rather than gratuitously, and without proof of the fact, or any real remedy in view, vote that the notes of the Bank of England are depreciated. The effect of

the former vote I might repeal before it came into operation; the consequences of the latter I could never recal. What could induce the Committee so to express themselves, is to me matter of surprise and astonishment; they have done so in direct contradiction to the evidence of every witness they examined, even of Sir F. Baring and the Continental Merchant, the witnesses on whom they principally rely, who expressly testify against them on this material point. Sir F. Baring, an authority entitled to the highest respect, declares in terms, "that he does not consider bank-notes to be depreciated;" and the Continental Merchant says "that bank-notes may not represent what is expressed upon the face of them, but something in fact equally real, though not applicable to equalize the balance of trade;" and he further goes on to describe, what he thus chooses to call depreciation, "as originating not in the excessive issues of the Bank, but in the enemy's measures, and its not having recovered, to the paper not being exchangeable for cash." Certainly, so long as cash could be procured upon demand and exported, the exchange and price of gold could never rise; but where is the gold to come from, to equalize this account, when our extraordinary expenditure, in the two last years, for corn, foreign frieghts,

and government expences alone, exclusive of our ordinary imports, is estimated at from 20 to 25 millions sterling, leaving a balance upon the whole of our payments, commercial and political, of from 8 to 12 millions a year against us.

With such a balance against us, how is it possible to add to our stock of gold? with what description of value are we to purchase it abroad, or how retain it in circulation if we had it? If the Committee were prepared to recommend that our army should be withdrawn from the Peninsula, and our foreign expenditure be cut down, I can understand that they might hope, through a total change of system, and an abandonment of our allies, to bring the exchanges round, and, through a favourable exchange, to bring back the precious metals: but, to persist in exertion against the enemy, and to break down the existing system of our currency, does appear to me to be utterly impracticable. I before adverted to the advantages Scotland had derived from a local currency undisturbed in its circulation, by being diverted to the liquidation of external demands: The same result is now observable in the currency of the whole empire: we feel the inconveniencies of an adverse exchange in our foreign intercourse and expenditure; but it does not affect our in-

ternal prosperity in the slightest degree. The enemy may embarrass us in the disposal of our superfluous produce, in our external expenditure, and supplies from the continent; but he cannot produce the smallest impression on our internal system. How small comparatively is the external question, and how absurd would it be for us to suffer our immense transactions at home to be deranged, by attempting to conform them to all the violent fluctuations which the enemy's lawless power can give to the continental exchanges, and, through them, to the price of bullion. We have happily, through the integrity and wealth of our Bank, and a state of credit between man and man unexampled in any other state, succeeded in realizing a system which the enemy cannot shake, and which, if preserved, is likely, under Providence, to carry us safely through all our difficulties. Let us recollect the successive efforts that have been made by the enemy to shake this mighty empire,—first, by arms and invasion; subsequently, through jacobinical principles and rebellion; latterly, through the extinction of commerce. All these have failed and yielded to his last hope of shaking your safety through the destruction of your established currency—the instrument of your prosperity and the source of all your power. It is well

known, when the Report we are now considering reached Paris, at the close of last session, the Ruler of France was upon the point of abandoning his anti-commercial decrees; he had convinced himself, that what had annoyed Great Britain, had ruined France and her vassal states.

The view presented by the Report of the state of our currency, the declaration of its depreciation, the indispensable necessity of returning to cash payments, the exaggerated picture of the mischiefs inflicted on this country by its bank-paper not being convertible into cash, and all these effects declared to have resulted directly from the decrees in question, decided the Ruler of France, not only to persevere in his commercial warfare, but with aggravated severity. Hence the burning supplement, the seizure of Holland, &c. It was obvious to him that, if we were obliged to retrace our steps, our exertions abroad must be contracted; the prospect was encouraging, and was worth the attempt. It rests with the Parliament of Great Britain to make him feel that this new attempt is as abortive as all his former. The experience of the last three years has shewn him the exports of the British empire increased one fourth, in contempt of all his decrees; and, although he has succeeded in adding heavily to

the costs of our European imports, as well as to our losses from confiscations, and, as far as relates to the continent, in turning the balance of payments largely against us, yet have we succeeded, in the face of his prohibitions, in exporting, even to the continent of Europe, nearly three times as much in actual value as we did in time of profound peace, when all the continental ports were open to us, and when we had a commercial treaty with France herself.

What a proof is this of the importance of an internal system of circulation, in its nature placed beyond the reach of his power, steadily supporting the industry of the country, its true and only wealth, accommodating itself to the rising exertions of a laborious population, and resting on the credit of a Bank, the solidity of whose resources has never yet been called in question. Let us determine to cherish this system, which keeps the enemy's power at a distance, till the world is once more restored to a settled order of things.

The whole case of the Committee is built upon an assumption that we live in ordinary times, and that we may conduct ourselves upon accustomed principles. They reason as if every thing was to find its level at a moment when the licentious sub-

version of all those ancient principles, which have governed the conduct of nations, even when at war, compels us, in self-defence, to assume an attitude of defiance correspondent to the novel efforts employed for our destruction. It is the strength, as well as the pride of this nation, that a long established system of public credit, the voluntary growth of industry protected by a free constitution and established laws, enables us to conduct our transactions, without the perpetual intervention of our standard coin. In its absence the accredited paper of our banks preserves its established relation to the general property of the country, which it continues to circulate, with an uniformity of value which could not belong to it, if tied down to bullion as the standard, and obliged to conform to all the present convulsive fluctuations in its price. Out of the necessity of abandoning for a time the convertibility of paper into cash, has grown an increased facility of conducting your expenditure abroad, in proportion to the quantity of the precious metals exported; and we have found that, when the means of sending bullion from hence have been exhausted, wherever our arms have been carried, foreign gold has been supplied upon credits here, the amount of which

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we either returned to those countries in British commodities, or invested in our funds, thus supplying fresh resources from the capital of the foreigner for conducting the war. The Committee, I trust, will do me the justice to remember, that I have throughout admitted a recurrence to cash payments as early as circumstances will permit, to be essential to public credit; that I have justified the existing system upon the plea alone of an overruling necessity; that I have not considered such a necessity as belonging to ordinary times of war, but as arising out of the new principles on which the present war has been conducted by the enemy. When the necessity ceases, I trust the system now in operation will cease with it; and I am sanguine in my belief that, with industry and commerce so flourishing, the return of our former habits, the drain of war being at an end, will not be a work of difficulty, and need not be a work of time. But, in the interval, as it has been our policy, in conducting the war, to annoy the enemy abroad, rather than await his attack on our own shores, so let us preserve that system of currency which enables us to confine his violence to the continent, and to deny to him the power of interfering with, or shaking

this most vital branch of a system, under which we flourish as a nation, and though the fruits of which we contend on behalf of the world as well as ourselves.

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