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0296

AN
ESSAY
ON THE
THEORY
OF
MONEY AND EXCHANGE.

0297

THE
S P E E C H
OF
RANDLE JACKSON, ESQ.
DELIVERED AT THE
GENERAL COURT
OF THE
Bank of England,
HELD ON THE 20TH OF SEPTEMBER, 1810,
RESPECTING
THE REPORT OF THE BULLION COMMITTEE
OF THE
HOUSE OF COMMONS;
WITH NOTES
ON THE SUBJECT OF THAT REPORT.

L O N D O N:
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ADVERTISEMENT.

The mistakes which have appeared respecting the following ADDRESS, as well with regard to numerical statement as to the sentiments therein expressed, it is hoped will be received as a sufficient apology for this publication: And that the animadversions which have been since published, will be considered as calling for the Notes which accompany the Text.

SUBSTANCE
OF THE
OBSERVATIONS
MADE AT THE
GENERAL COURT
HELD AT THE
BANK OF ENGLAND,
ON THE 20TH SEPTEMBER, 1810.

ON the Governor proposing the dividend as usual, Mr. Jackson requested leave to make a few observations respecting a pamphlet which had been lately published, and very extensively circulated, professing to be a copy of the Report of the Bullion Committee of the House of Commons. He was aware, he said, that the publication alluded to was not yet in a shape which the Directors of the Bank could officially notice ; its contents, however, had become so public, and had had so serious an effect upon commercial credit, as well as upon the price of their stock, that it would be unwise to let that Court

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pass over without meeting the allegations which the work in question contained. Mr. J. was of opinion, that public bodies should be quite as tenacious of their characters as individuals; as jealous of imputation, and as eager to embrace the first opportunity of repelling assertions which might be made to their prejudice. Reluctant, therefore, as he felt, to obtrude himself on their attention, he thought that the public interest as well as that of the Bank, called so imperatively for observation on the production alluded to, that he could not but request the favour of their indulgence.

Mr. Jackson said, he wished to speak of the Report with every possible degree of respect; he had too often the honour of attending before the Houses of Parliament not to feel the utmost reverence for every part of them, and for every emanation from them; but in treating the subject with freedom, and according to the fair rules of argument, he hoped he should not be thought to depart from the deference due to sentiments said to be those of a Committee of the House of Commons. He must, however, aver, that what was published as the Bullion Report, was inconsistent, and at variance with the evidence received by the Committee: that it contained, according to his judgment, fallacious propositions: that it omitted statements of the utmost importance to the credit of the Bank of England: and lastly, that it suggested a measure dangerous in the extreme to the commercial interests of the country; and, as he thought he could make appear, unjust and ungenerous towards those whom it was supposed most immediately to affect.

It was far from his intention, Mr. Jackson said, to impute this Report to party spirit, but in weighing the probability of so injurious a measure being carried into execution, he hoped he might be permitted to observe, that those who were understood to be the leading Members of the Committee, were Gentlemen in the habits of differing in opinion from his Majesty's Ministers.*

That the Report was inconsistent with the evidence, required no argument to prove; the Committee admitted the fact themselves, and

* This observation seems to have given offence: few persons have kept themselves more aloof from party connexion than the Speaker on the present occasion, not that he has been an indifferent or a lukewarm spectator of the various transactions on the theatre of public life, but that, ardently attached, from the earliest period of his remembrance, to the great principles of the Constitution, he has beheld an occasional departure from them, as it suited the purposes of the hour, with too much concern to have become himself what is usually understood by the term Partisan. The following passages, however, which are taken from Rapin's History of England, will show, that even if the Bank should hereafter have the misfortune to encounter the spirit of party, it would not be the first time, since its institution, that it has been involved in so unpleasant, undeserved, and injurious a predicament;—they will likewise furnish an idea of the difficulties which, in past times, this great Corporation has had to struggle with, while they also shew the decided and honourable support which the Government of the country, as well as some of our most eminent Statesmen have at all times held it wise and judicious to give to it, ever regarding the public credit, and consequently the public welfare, as inseparably connected with that of the Bank of England.

“ About this time, 1694, a draught of a commission for taking subscriptions for the Bank of England, together with a sche-

had assigned, as reasons for their non-reliance on the testimony adduced, that the merchants and others who were ordered before them, were

duple, containing the draught of a charter for the Corporation of the Bank, were first approved and signed by her Majesty on the 8th of June, and the charter, which was to pass under the great seal of England, after the first day of August, if the sum of £1,200,000, or one moiety, or more thereof, should be subscribed by that time: or sooner, if the whole £1,200,000. should be sooner subscribed, was accordingly granted towards the middle of July, the Commissioners having taken subscriptions, amounting to that sum, by the 5th of that month.—The constituting of the Bank occasioned great debates: some thought a Bank would grow to be a monopoly. All the money of England would come into their hands; and they would, in a few years, become the masters of the stock and wealth of the nation. Others argued for it: that the credit it would have, must increase trade and the circulation of money, at least in Bank notes. It was visible that all the enemies of the Government set themselves against it, with such a vehemence of zeal, that this alone convinced all people, that they saw the strength that our affairs would receive from it. The Dutch—often reckoned upon the great advantage they have from their banks; and they concluded that, as long as England continued jealous of the Government, a bank could never be settled among us, nor gain credit enough to support itself: and, upon that, they judged that the superiority in trade must still lie on their side. This, with all the other remote funds that were created, had another good effect: it engaged all those, who were concerned in them, to be, upon the account of their own interest, zealous for maintaining the Government; since it was not to be doubted, but that a revolution would have swept all these away. The advantages that the King, and all concerned in tallies, had from the Bank, were soon so sensibly felt, that all people saw into the secret reasons that made the enemies of the Constitution set themselves with so much earnestness against it.”

Tindal's Continuation of Rapin.

men of “practical detail,” and their opinions, therefore, “vague and unsatisfactory.” Upon this

“The Commons, 1708, came to an unanimous resolution, ‘that whoever designedly endeavoured to destroy or lessen the public credit, especially at a time when the kingdom was threatened with an invasion, was guilty of a high crime and misdemeanor, and was an enemy to her Majesty and the kingdom.’ And indeed, the most dangerous effect of the enemy’s intended invasion, was the occasioning great demands upon the Bank of England; which visibly tending to the ruin of its credit, with which that of the Exchequer was closely connected, the ministry thought proper to apply a speedy remedy to that evil. In order to that, the Lord Treasurer signified to the Directors of the Bank, that her Majesty would allow, for six months, an interest of six per cent. upon their bills, which before were only three per cent. And, at the same time, his lordship offered them a considerable sum of money; as did also several other peers, particularly the dukes of Marlborough, Newcastle, and Somerset. On the other hand, the Directors of the Bank having resolved to call in 20 per cent. upon this capital stock, they were in a condition to answer the demands of the most importunate, among whom were reckoned, first, the disaffected, who improved that conjuncture to distress the Government with impunity; secondly, the timorous usurers, who were unreasonably alarmed at the intended invasion; and lastly, the goldsmiths, who having, in great measure lost the advantageous trade which they carried on with the money that private persons lodged in their hands, before the establishment of the Bank of England, had ever since endeavoured to ruin its credit. One of these, Sir Richard Hoare, was so concerned at his being reflected on, as having contributed towards the run upon the Bank, that he was very solicitous to vindicate himself as to that particular. But, it was observed, to the honour of the French, Dutch, and Jewish merchants, that they were so far from calling in the money they had in the Bank, that on the contrary, they carried more into it, to support its credit.”

Ibid.

point he thought many persons would be likely to differ from the Committee; he declared for himself that had he been less acquainted with the affairs of the Bank, and had read the Report without the evidence, he should have drawn the most disparaging conclusions with respect to that Corporation; while, on the other hand, he would hardly desire a higher document in its favour, than the body of testimony, and opinion which had been given by the Gentlemen, whose evidence was to be found in the appendix to the Report. He wished it was possible for that evidence to be in the hands of every thinking man in the country: were that the case, he was inclined to believe, that it would not require much argument to overthrow the leading and the favourite proposition of the Committee, namely, that "Bank notes were *below par*, or in a state of *depreciation*." These terms, so new to an Englishman's ear, when applied to their National Bank, so contrary to the general belief and experience of the country, were used throughout the Report as terms perfectly familiar and incapable of objection. Upon what did the Committee found this mortifying, dangerous, and degrading assumption!—Upon the fact, that one hundred and five pounds, in Bank notes, would not buy gold enough, at the present *market price* of bullion, to make one hundred guineas! This was their main proposition, and upon this had they founded so serious a conclusion as to have spread universal alarm, and already given a shock to public credit. To his mind nothing could well be more fallacious! The simple fact was, that the *market price* of bullion had risen

considerably—he understood as much as fifteen per cent.* above the *Mint price*—consequently one hundred and five pounds, in Bank notes, would not purchase, by 15 per cent., gold enough to coin into one hundred guineas; but neither would one hundred and five pounds in *guineas*, perform that operation, unless bought for the illegal purpose of melting them down; neither would one hundred and five pounds worth of corn or wool, or any staple commodity whatever, go a whit further in this purchase than the same amount in Bank notes: if then the Bank of England notes were not more depreciated than the coin of the realm, or than any one of our staples, or articles of the first necessity, could it be said, according to any fair or liberal meaning of the word, that Bank notes were below par, and *depreciated*? Almost every witness called before the Committee thought otherwise, and had declared, in the most express and unequivocal terms, that Bank notes *were not depreciated*, but that, throughout their respective and extensive dealings, whether, as relating to sale or purchase, they found no difference, nor did they believe any to exist between Bank of England notes and the current coin of the realm. The persons called before the Committee must be presumed to be such as were thought to be the most likely to give them correct and valuable information. Their names indeed gave great sanction to their opinions; they were gentlemen of considerable business, and

* The price of standard gold is said to have fallen considerably since the period of delivering these observations.

of great experience; and nearly similar questions were proposed to each of them, regarding the supposed depreciation of Bank notes. Now, although a course of interrogation was pursued of considerable ingenuity, and such as, in courts, was called cross-examination, it had not been able, in the least, to shake the witnesses from their first sentiments, almost the whole of whom were firmly and uniformly of opinion, that Bank notes were not depreciated. Mr. Asher Goldsmid, for instance, was asked: "At the present price of bullion, how much must be paid in Bank of England notes for a bar of gold, equal in weight and fineness to one hundred guineas sterling?" He answered, "No distinction is taken whether the payment is made in *Bank notes* or *coin*." He is again asked, "If he has remarked that as the quantity of Bank notes has increased, gold has got proportionably dearer?" He replies: "Not perceiving that the increase or decrease of Bank notes has any connexion with, or influence upon, the price of gold, he has paid no attention to that subject." He is then reminded that he has "already stated a difference between *gold*, which is our standard, and *Bank notes*, as between £3. 17. 10½. to £4. 10. per oz., or nearly 16 per cent." He repeats, "I stated that the difference between the *market* and the *mint* price was about 16 per cent. but *I did not make any distinction between Bank paper and coin*." It was true, that Mr. Binns admitted that a light guinea would fetch more than a Bank note of one pound and a shilling in money, and even more than a heavy guinea, the cause was

obvious, the light guinea might be legally melted, and thus partake of the *market* price instead of the *mint* price; but when it was seen, from the same testimony, that the witness, who was known to be the principal and almost the only buyer of light gold, had not bought more than from one to two thousand such guineas in the course of the last year, he apprehended that the fact, respecting them, would hardly be thought worthy of grave argument on the one side or the other.

On a subsequent day, Mr. Asher Goldsmid was again called; and though Mr. Jackson said he felt he had a right to protest against the legitimacy of an argument, at least in this case, which took the presumption of crime for its foundation, as well as against that species of interrogatory, which demanded of a witness to calculate how much he could acquire by exposing his life or his liberty to forfeiture; yet he would merely remark the singular solicitude to establish the depreciation of Bank notes, that discovered itself from the mode in which the questions were diversified and pressed upon the parties under examination. Mr. G. is now asked, "If a person, in possession of one hundred guineas, of full weight, were to *melt them* into bars, and sell them in the market, what sum in *Bank of England paper* would he be able to obtain for them?" Mr. Goldsmid answers: "He would have acted *illegally* in melting the guineas, and his bar would be unsaleable." It is then put to Mr. G.: "Supposing the persons concerned were, *nevertheless, to take that oath*, the oath that, the bar is not the produce of

English coin), what profit would they obtain upon that transaction?" The witness, thus pressed, of course admits, that if, to the crime of melting, were added that of perjury, the criminal might receive "for one hundred guineas in gold, thus defaced and melted, £121. 11. 6. in *Bank of England paper*." Mr. G., however, persisted in his declaration, that he "never considered Bank notes as depreciated," and concluded his testimony by very honourably protesting, that he never would make a bargain in which there should be any difference between *Bank notes* and *specie*. But why this mode of putting the question? Why thus continually confine its terms to *Bank notes*, when it was perfectly obvious that one hundred guineas, if illegally melted down, would buy £121. 11. 6. in corn, wool, indigo, or any article of traffic whatever, as readily as it would that amount in Bank of England notes. This, Mr. Jackson said, was notoriously the fact, and he asked no higher station for Bank notes than that they should be of equal validity with the staples of the land. The Committee had examined, at considerable length, Mr. Merle, a banker and refiner; and although the question was put to him in every possible shape that ingenuity could suggest, that gentleman also persisted in declaring, that he knew of no difference between the value of *coin* and *Bank notes*, unless the former was illegally applied: that he purchased with the one with the same facility that he could with the other; and that, in his sales, he did not even think of a difference between those two me-

diums of payment. Mr. Merle was asked, for instance, "If, supposing he had *guineas* to give, he could not buy gold cheaper than at the rate of £4. 10. per ounce?" He answers, "No; he should not offer a less price; if he were to buy any quantity of gold, and pay for it in guineas, he should offer the same price as in Bank paper." It is then put to him, whether, when he speaks of the Mint price being £3. 17. 10½. per ounce, he calculates that price in *gold coin*, or in *Bank paper*? He again replies, "We make no difference, and I do not believe there *has been* any difference in paying in *specie* or Bank paper." Adding, that, "If a gentleman came and brought him gold, he should pay him exactly the same, whether he paid him in gold, coin, or Bank notes." Mr. Merle admitted, as every other man must, that if he were allowed to melt *guineas*, he could, at the present *market price*, make ten shillings per ounce more of them; and to a question whether, as "ever since the period of 1800, Bank notes had increased in quantity,* the price of gold bullion had not risen proportionably?" Answers, "No; I do not think Bank notes have had any effect upon gold." Questions to the same purport were put, and apparently with the same view; to certain merchants, and received nearly the same answers. Mr. Lyne, a gentleman of great experience, says he expressly differs from those who conceive, that either the depression of our exchanges, or the export of our

* The validity of this assumption will be seen hereafter.

specie, is occasioned by our circulating medium being confined to Bank notes; and declares, that "Bills on foreign countries are here obtainable precisely at the same rates of exchange, whether they be paid for in *Bank notes* or *guineas*." Mr. Greffulke, another merchant, sought by the Committee, on account of his judgment and experience, after accounting for the exchange with Lisbon, where bills are paid one half in a *forced government* paper, says: "In England, where we have no forced paper, no difference is made in favour of specie in internal transactions, and the high price of *bullion* against Bank notes is only owing to the demand for exportation." Mr. Chambers, another merchant, examined by the Committee, denies the propriety of the terms "forced paper currency," as applied to Bank of England notes; stating, that he did not conceive gold to be a fairer standard for Bank of England notes than indigo, or broad-cloth; and that he could not consider that as a forced paper currency which he could convert at will into other objects of his gratification than gold, without depreciation.*" On its being put directly to him

* This opinion appears to be confirmed by a gentleman upon whose evidence the Committee seem principally to have relied; after referring to the Assignats of France, and to the forced paper currency of Austria and Denmark, he adds: "I do not know of any paper currency on the Continent that is not convertible at all times into cash, which is founded at all upon a similar system of *solidity* to that in this country, where, although the paper may not represent what is expressed upon the face of it, it does represent a something, in fact *equally*

"Is it your opinion that the currency of England is depreciated?" He answers in two words, "Certainly not." The same question was put to Mr. Coningham, who as directly answered, that "he did not consider the paper currency of this country as depreciated." This gentleman stated, that in some parts of Ireland where there was a premium of two and a half to three per cent. in favour of gold, compared with Bank of *Ireland* notes, the same difference of two and a half to three per cent. also prevailed *in favour of Bank of England notes!*

If then, in the teeth of such evidence*, the Committee were found assuming, as an admitted and established proposition, that the notes of the Bank of England were in a state of *depreciation*, was it too much for him to say, that according to his conception the Report of the Committee was at vari-

"*real*, though not applicable to equalize the balance of trade." Vide Evidence of the Continental Merchant, Rep. page 77.

* Mr. Huskisson, in his Pamphlet entitled "The Question," &c. seems to object to the term *evidence*. Perhaps the following description of the proceedings of the Bullion Committee may appear an extremely singular one to those who are acquainted with the nature and obligations of such Committees, or in the habit of reading their valuable Reports:—

"The Committee endeavoured, in the first instance, to collect and place upon their records certain *facts*; such, for instance, as the continued high price of gold bullion, and the great depression of the foreign exchanges. To any *explanations* that were offered by the witnesses, of the causes which had produced this state of things, they listened with the most *patient* attention, and *have given them* a place in the Appendix, *in the words* of the parties examined."

Huskisson on the Question, &c. Preface, page 4.

ance with the evidence upon which it was presumed to be founded! nor could he help thinking that conclusion of the Committee an extremely dangerous and fallacious one, which, because the *market* price of gold had risen above the *Mint* price, averred, therefore, that Bank notes had ceased to be worth the sums for which they were issued. If such were really the case could it be a matter of doubt? Could it have required such a series of circuitous interrogatories, or so much elaborate and abstract reasoning to have established the fact? Would not every man in the kingdom be sensible of a truth which almost every man in the kingdom must feel? Could merchants from the Royal Exchange have gone down to the House of Commons, and have assured the Committee that Bank notes were not depreciated, if they were really otherwise? Was there a person that heard him who would lay his hand upon his heart, and say, that he believed Bank notes to be below par? Was there a man to be found, who could produce a single instance of any tradesman, or merchant whatever, having hesitated at parting with his commodity for Bank notes, or even hinted at receiving them at less than their even nominal value? The Report in question did seem to him a most extraordinary production; nor was he surprised at the exclamations of a celebrated periodical writer, who, on finding his bold assertions and his gloomy predictions, respecting the national credit, countenanced by such grave authority, had burst into a transport of joy on reading the Bullion Report, declaring, that he had felt

more from its publication than if he had been suddenly and unexpectedly hailed the Lord of Hampshire! Mr. Jackson said he presumed this expression to have escaped from the ingenious person alluded to, on reading the Report *only*, but now that he had most probably, with his usual industry, read likewise the *evidence* that accompanied it, he (Mr. J.) had little doubt but that if the alternative were offered to him, he would be found so far to have changed his mind, as now to prefer being the Lord of Hampshire to the publication of the Report of the Bullion Committee.

Another error into which the Committee seemed to have betrayed itself, was the allegation that what they were pleased to call the *excessive issues* of the Bank, had increased the price of labour, and consequently that of provisions, and every other commodity. He thought the Bank had some right to complain against insinuations of this nature, calculated to affect them with the lower orders of the people, and to induce their countrymen to believe that that very liberality of assistance, which had hitherto been regarded as a blessing to the community, by nourishing and strengthening every branch of its commerce, had in fact occasioned a rise in all the necessaries of life, and was the cause of their privations! Was it possible that the Committee could seriously mean to impress this idea upon the public? As their allegation however certainly went to this extent, he thought they ought, according to the correct rules of argument, to have at least condescended upon a definition of

their terms. What did they mean by excessive issues? These were terms of comparison, and subject to certain contingencies. What might be deemed excessive at one period, and under some circumstances, would not perhaps be thought so at another, and under circumstances of a different nature. The Committee had used these terms throughout their Report with almost studious frequency, as if the fact were universally admitted; without any where intimating what amount of issues they regarded as excessive, or to what description of circumstances they would apportion this or that extent of advance. He, Mr. Jackson, thought it not very difficult to prove from known facts, and from the evidence before the Committee, as well as from their own admissions in other parts of the Report, that the issues of the Bank, so far from being excessive, had absolutely been parsimonious. In the year 1797, when the restriction upon payments in cash first took place, the issues of Notes were about eleven millions, but they had been previously reduced to that amount in consequence of the alarm which then prevailed: at some periods of that year they were lower, at others as high as from twelve millions to thirteen millions five hundred thousand pounds; but, during the year 1795, they were as high as from thirteen millions to fourteen million eight hundred thousand pounds, and this when no Bank notes were in circulation of less value than five pounds, the subsequent addition had principally consisted of one and two pound notes, without which trade could not have gone on; with-

out which the commercial part of society at least must have stood still. It was the exigency of the state which demanded their issue as substitutes for those guineas which had then, as now, vanished from circulation, and of which a large proportion had notoriously been exported. The amount of these small notes was now from five to six millions; an amount infinitely short of that of the coin, the place of which they were intended to supply*.— But, supposing the whole of the present issues to be twenty or twenty-one millions, was that an increase, he would ask, which bore any proportion to the increase of such business since the year 1797, as required a circulating medium for its transaction? It appeared from the Report, that the exports alone had increased in five years, viz. from the years

* "If the increase of Bank notes had even exceeded in proportion the increase in the commerce, and the revenue and expenditure of the country, it would by no means have proved an excess in the amount of Bank notes, for of £5,319,730, the whole increase, in the twelve years, from 1798 to 1809, no less than £4,841,800 are small notes of one and two pounds, leaving only an increase of the larger notes to the amount of £477,930. The above amount of small notes was plainly issued to supply the defect of the gold coin, which had been withdrawn from circulation. In 1798, there was of gold coin in circulation, upwards of £20,000,000, which has almost disappeared from circulation; and there has, during the eleven years, from 1799 to 1809, been a deficiency in the gold coinage to the amount of nearly £19,000,000. This vast vacuum in the circulating specie, would justify a much greater amount than £4,841,800 of small Bank notes as a substitute for the gold coins."

1805 to 1809, upwards of fifteen millions. He had not any memorandum upon the subject then about him, but he was sure that he spoke within compass, when he stated the aggregate of business, including exports, imports, and revenue, to have actually increased since 1797, upwards of fifty millions per annum! * to transact which, the Bank had, since 1795, increased their issues, exclusive of the one and two pounds, but about one million, and including them, about six millions! Was it possible to consider this as an *excessive* issue, compared with the wants of the public; nay, was it not perfectly obvious, that unless issues to an infinitely larger amount had taken place in other quarters, that the commerce of the country could not have gone on? Was he not, therefore, warranted in considering the Bank issues rather as parsimonious than profuse? and, was he singular in the opinion, that it would have been better for the public if the issues of Bank notes, (every one of which, so far from being of a *forced* description, was known to represent *value received*,) had been much greater, rather than they should have been driven to resort to a far less reputable and substantial kind of aid for a circulating medium? Yet, such were the issues

* Sir John Sinclair states the increase, from 1796 to 1809, of

Exports	£19,782,850.
Imports	13,067,890.
Revenue	39,079,759.

£71,930,499.

which had been termed *excessive**, and to which had been attributed such a series of calamitous circumstances! With regard to the increased price of country labour, and of provisions, it was singular that the Committee should have appeared, on this part of the subject, to have altogether overlooked the vast increase of country paper. The Report admitted, that Bank notes were of very limited circulation, and principally confined to London, and its environs; while it appeared in evidence, that in 1797 there were but two hundred and thirty country banks; in 1808, something more than six hundred, and that now there were 721! Mr. Tritton, evidently taking a very low estimate, supposes their circulation to be twenty millions! another witness, Mr. Richardson, a bill broker, with better means of knowing the fact, states their circulation at thirty millions; and this in the very neighbourhood of the country markets. That gentleman, indeed, mentions a house, whose issues of

* "If we compare the increase of Bank notes, from 1798 to 1809, with the increase in the commerce of the country, during the same period, we shall see that the increase of Bank notes does not come up to the increase of commerce.* If we compare the increase of Bank notes with the increase of the revenue and expenditure, during the same period, the result is much more striking, and shows that the increase of Bank notes is very far short in proportion to the increase in the revenue and expenditure of the country."

Chalmers's Considerations, 202.

* OFFICIAL VALUE OF EXPORTS.
1797,.....£28,917,010.
1809,..... 50,301,763.

their own one and two pound notes alone amounted to £70,000! Whether these considerable issues were more or less likely to affect the price of country labour, and the markets, than the limited issues of the Bank of England, he would leave the public to judge. He by no means meant, Mr. J. said, to speak in disparagement of country bankers, on the contrary, he was convinced that they had been highly useful to the country; and, that their issues, when kept within due bounds, promoted its agriculture and its commerce; he was fully sensible, likewise that the excess of a circulating medium must raise the price of provisions; but whether that excess consisted in paper or gold, the effect would be the same; all, therefore, that he meant to contend was, that considering the demand for the circulating medium, the issues of the Bank had been parsimonious and *not excessive**, and that it was impossible, with any degree of justice, to impute to those issues, the high price of provisions†; this he

* The daily amount of business transacted at the bankers, clearing houses alone, is estimated, by the witnesses, at five millions each day, or upwards of fifteen hundred millions per annum!—*Vide Report.*

† “The increase of paper money, it has been said, by augmenting the quantity, and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But, as the quantity of gold and silver, which is taken from the currency, is always equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency; from the beginning of the last century to the present time, provisions were never cheaper in Scotland than in 1759, though from the circulation of ten and five shilling

asserted with the greater confidence from finding the Committee, in another part of their Report, complimenting the Directors of the Bank upon their disinterested forbearance with respect to the issue of their notes. It was, indeed, unfortunate for the Bank, that the Committee should have seen only the evils arising from their issues, without remembering how much the public had been accommodated by the discount of good and valid bills.

The Bank had likewise been so unfortunate as to have imputed to their issues the present unfavourable state of the exchange with foreign countries, and the high price of bullion. The Committee, having declared their opinion in very decided terms, that the price of bullion rose in proportion to the issues of the Bank, and that the exchange was unfavourable to this country in proportion as gold was higher, he, Mr. J., had hitherto been led to consider the rate of exchange as principally depending upon the balance of trade and payments, and of that opinion seemed to be the witnesses who had been called. Mr. Greffulhe, of whose knowledge, as a man of business, the Committee spoke highly, had not only stated, that “he conceived the cause of the present state of the exchange to be entirely commercial, with the exception of payments made by Government to the continent, but, in order to establish his

bank notes, there was then more paper money in the country than at present. The proportion between the price of provisions in Scotland, and that in England, is the same now as before the great multiplication of banking companies in Scotland.”—*Wealth of Nations*, v. 1.—490.

proposition that, "the state of the paper currency of this kingdom, and the state of the exchanges upon foreign parts, were two subjects almost unconnected, and that had but little influence on each other," he refers to two several periods when the exchange had, for a length of time, improved in favour of this country, while the amount of Bank notes was gradually *increasing*, and shews that the exchange upon Hamburg was more favourable in the years 1802-3-4 and 5, under an issue of Bank notes, exceeding the amount of eighteen millions, than it was in 1797, under an issue of only eleven millions! The Governor and the Deputy Governor of the Bank had confirmed this statement, and, by a reference to facts and to experience, had, in his judgment, irrefragably proved that neither the low state of the exchange, nor the high price of bullion, had been governed by the quantity of Bank notes in circulation, as was supposed and reported by the Committee. But as the Committee had not unfrequently, in the course of the Report, intimated their difference in opinion with the merchants and others who were called before them, and whom they appeared to consider as mere "practical men," he would direct the attention of the Court to certain figures and facts, respecting which he apprehended there could be no dispute, and which seemed to him to be decisive of the question. The appendix to the Report contained a considerable number of very valuable documents, for which the public were much indebted to the research of the Committee; among them were returns of the amount of Bank notes in

circulation; of the course of the exchange of Hamburg; and of the price of bullion at several periods from the year 1795 to the present time; he thought whoever looked attentively at those returns, or into tables of a similar kind, must be satisfied that the witnesses were right, and the Committee consequently mistaken in their conclusions.

From April to June 1793, the Bank notes in circulation averaged at upwards of twelve millions. The exchange with Hamburg, at about the same period, was 37-6.

At the beginning of 1797, the issues had decreased about three millions, being but nine millions two hundred thousand pounds, when so far from its having mended the exchange, according to the hypothesis laid down by the Committee, it had become considerably more unfavourable, having fallen to 35-6. In February 1797, the Bank issues were eight millions six hundred thousand pounds, and the Hamburg exchange was 35-10. In the May following, the issues had increased to the considerable extent of five millions more, being then near thirteen millions six hundred thousand pounds; this immense increase of notes made, however, a mere trifle difference in the exchange, supposing that circumstance at all to have affected it, the Exchange being then but at 36-2. At the latter end of the year 1807, the Bank notes in circulation amounted to no less a sum than eighteen millions! Notwithstanding which the exchange with Hamburg was to a fraction the same as it was in February 1797, viz.: 35-10, when the issues were less by

nine millions and a half, being then but eight millions six hundred thousand pounds! These statements appeared to him to make out his argument with respect to the exchange to mathematical demonstration, and in that persuasion he should not press it further.

With regard to the opinion delivered by the Committee respecting the effect of the Bank issues upon the price of bullion; of that price forming the best general criterion from which any inference could be drawn as to the sufficiency or excess of paper currency; "and of the price of bullion being the most unequivocal symptom, even more so than the low state of the continental exchanges, of an excess in the paper circulation of this country;" he must say he thought the evidence failed them as much as it did upon the subject of the rate of exchange.

Upon this point the Committee seemed somewhat at variance with itself, a circumstance not unusual in Reports of considerable length, inasmuch as it admitted, that "from about the middle of 1773, to the middle of the year 1799, the *market price* of standard gold in bars, remained *steadily uniform* at the price of £3. 17. 6. equal to the *Mint price* of £3. 17. 10½. with the exception of one year, when it was occasionally £3. 18." Now it appeared from the appendix to the Report and from other tables, that from the year 1787, (the earliest year mentioned in either of those documents), that the issue of Bank notes had fluctuated from £8,600,000, to 15,000,000; making a difference of no less than £6,000,000. While gold remained "*steadily uniform*," at £3. 17. 6. or towards twenty

per cent. lower than it had been lately! It seemed to him, therefore, an utterly inconsistent proposition, that the amount of the Bank issues governed the price of bullion. He would, however, again refer to figures, which spoke for themselves. In 1797, the issues were at one period eight millions six hundred thousand pounds, while standard gold was £3. 17. 6. per oz.: in January, 1800, the issues had increased to £15,100,000, making a difference of £6,500,000, while standard gold remained "*steadily uniform*," at £3. 17. 6. per oz.: in July 1800, standard gold was at £4. 5. per oz.: with an issue of Bank notes amounting to between 15 and 16 millions: about the same month, in 1804, it had *fallen* to £4. 3. 6., with an issue *increased* to *upwards* of eighteen millions! since which gold had *risen* to £4. 10., when the Bank issues had *fallen below* eighteen millions. It was important, Mr. J. thought, to investigate such statements, since it was upon the rates of exchange, and upon the price of bullion, that the Committee professed to found their allegation of an *excessive issue* of Bank notes, and upon that *assumed excess*, they had further founded an *imputation* of various *public evils*, which, if they existed, were by no means shewn to be chargeable to the conduct of the Bank of England.

Mr. Jackson said he thought the Bank were not without further cause of complaint, from the Committee having omitted some statements of great importance to its credit, and such as he thought ought in justice to have accompanied the allegations which had been published respecting their notes: He be-

lieved it impossible for any person not well acquainted with their affairs, to read the Bullion Report without drawing conclusions unfavourable to the credit of the Bank, and doubting whether its notes represented real capital in hand, or whether, like those of some other concerns, they were advanced without limit, and merely upon the high credit in which the Bank had hitherto stood? He should himself, had he been less in the habit of thinking on the subject, have entertained very disparaging ideas of the Bank of England from reading the Report. He trusted a very short statement would shew the basis of their institution to stand upon a rock, from which nothing could remove it but some such convulsion as should shake the country to its centre*. The public held notes of the Bank, Mr. Jackson said, to the average amount of about twenty millions, out of this the public owed the Bank towards eighteen millions, for money borrowed, to say nothing of occasional and considerable advances, thus holding in its own hands security for nine-tenths of the notes in circulation! Was there a monied institution in the country—was there one upon earth which could say as much to its creditors†? Hence it was

* "The stability of the Bank of England is equal to that of the British Government. All that it has advanced to the public must be lost before the creditor can sustain any loss."—*Wealth of Nations*, vol. i. p. 482.

† The public, in fact, have security to a much greater amount than £18,000,000. It is matter of notoriety (for the purchases are publicly made), that the Bank seldom hold less than from six to ten millions of Exchequer bills, exclusively of those deposited

obvious, that should the country be put out of conceit with its best friend, and with the best friend which the commerce of any country ever possessed, so far as to seek its dissolution; should they ever be successfully taught to consider the issue of Bank notes not a blessing but a curse, they had it in their own power to get rid of the evil; on repayment of the eighteen millions in question those notes would be cancelled within two millions of their whole amount, and he believed no person would doubt the proprietors being able to make up that sum among themselves, in two hours time, who recollected what they had to do it with, namely, their stock of bullion—their vast amount of merchants' bills on discount—their millions of Exchequer bills, and other securities, together with their considerable estates and buildings, amounting to very many millions beyond any possible demand upon them! He believed that the circumstance of the public owing them eighteen millions out of the twenty in circulation, some of it not long since advanced, and all of it guaranteed by parliament*, was a fact not generally known, but he

as security for loans; these, it is the known practice of the Bank to keep by them till some general arrangement for their liquidation takes place. Supposing the average amount of such bills to be but £7,000,000, the public would then stand debtors to the Bank for £25,000,000 or £5,000,000 more than the whole amount of their issues!

* "The Bank of England must be secure beyond all apprehension to the contrary, as well by reason of the great sums they have lent the Government upon the faith of a British Parliament, which is sufficient always to keep them above all suspicion

thought that the interest and honour of the Bank now required that it should be promulgated as universally as the Report of the Bullion Committee should be read.*

of failure, as from the known skilful and profitable management of those who have been successively concerned in the direction."
— *Postlethwayte's Translation of Mons. Savary.*

* This merely self-defensive-statement is reprobated by Mr. Huskisson, in page 80 of his work, as an "ostentatious annunciation." Mr. Huskisson, at the same time, admits the fact of the public owing to the Bank £18,000,000; or, to speak with precision, £17,686,000, and gives the following explanations of it, which explanations will be found to contain some important errors: He says, "The first and largest item, of which this sum of eighteen millions, is made up, is the advance *originally* made by the Bank of their capital stock, amounting to £11,686,000. *Three per Cents.*; which advance has been carried on upon each successive renewal of their charter. This advance has no more connexion with *the issues* of the Bank than any *three per cent. stock* which Mr. Jackson, or any of the proprietors may possess individually; or *than the whole mass of the funded debt of the country.* This stock, though ultimately liable for their engagements, is no part of the security upon which their notes are issued: it is the *subscription* capital of the Company, and the repayment of it is not due or *demandable* till the *expiration of the present charter in 1833.*"—Huskisson on the question, &c. p. 81.

"The next sum (continues Mr. H.) consists of two advances of three millions each: the first lent in 1800, for six years, without interest, as the price of the last renewal of their charter, and continued since the expiration of that period, at an interest of three per cent.; the other advanced, without any interest, under an agreement with Government, made in 1808. Both these advances are in consideration of the profits accruing to the Bank from the deposit of the public balances in their

But there were other circumstances which Mr. Jackson said he thought of great importance that

hands. These deposits, it is quite obvious, have no connexion with the circulation of the Bank; and would be continued to nearly the same amount if that circulation were restored to its sound state. The average amount of these deposits, exceed *ten millions sterling.*"—*Ibid.**

"No part of this advance of six millions is demandable until six months after the termination of the war."—*Ibid.*

"The difference between the amount of interest paid to the Bank on this advance, and the amount of legal interest at £5 per cent. on that sum, is correctly stated by Mr. Jackson, at £210,000, per annum."—*Ibid.*

"Thus are £17,686,000 out of the £18,000,000, so confidently, but prematurely, called for by Mr. Jackson, disposed of."—Huskisson on the Questions, &c. p. 52.

Now it will be seen from the following statement, that £11,686,000 *was not* the *original* advance to the Bank: that such advances as were made *were not* at three per cent., but at a much higher interest; and that so far from its being like "*any other three per cent. stock,*" or, "*like the whole mass of the funded debt of the country,*" the purchasers or creditors, as to which are *mere annuitants*, it is a *tangible and bonâ fide capital*, upon which Government now pay to the Proprietors of Bank stock three per cent. per annum; interest, and is bound to repay them the *principal* on the expiration of their charter. It has been no where pretended that the proprietors can demand

* If Mr. Huskisson means, that the present average balance of Government cash in the hands of the Bank is £10,000,000, he is reminded, that for a considerable proportion of that sum the Bank has been in the habit of making allowance in all its preceding arrangements with Government, under various heads, such as the occasional lowering of interest, charges, &c. &c.—If he means that the average balance in the hands of the Bank has *increased* £10,000,000, since the arrangements of 1806 and 1808, to which he refers (which is the only *just* way of putting it), then it is believed that he is most materially in error, with respect to the amount of such increase.

the public should be made acquainted with, although unfortunately they had not been even no-

the £11,686,000 till that period arrives, or that they can demand the £6,000,000 until a definitive treaty of peace is signed. The simple proposition which has called forth rebuke, was, that if the public unhappily should be put out of conceit with their best friend, and taught to regard the issues of Bank notes as an evil, they had it in their power to cancel nearly the whole of them by the payment of their debt to the Bank.

The Bank was incorporated in 1694. The sum it originally advanced or lent to Government, was but £1,200,000; and that at an interest of *eight per cent.* per annum. In 1708 it had increased its loan to Government, to £3,375,000, for which it then agreed to take *six per cent.* In 1717, it had lent to Government the sum of £5,375,000. In 1722, its advances had increased to £9,375,000. In 1746, the Government debt to the Bank, had increased by different advances, to £11,686,000; the interest of which was ultimately reduced to *three per cent.*; the period of which reduction Mr. Anderson, in his History of Commerce, correctly fixes, in 1742, or fifty years after the period stated by Mr. Huskisson: and the issues were so far connected with the original advance, as to have been expressly allowed by the statute, 5 W. & M., on account of the advance to Government of one million two hundred thousand pounds; by section 26 those issues were limited to be commensurate with such advance; and section 29 provides for the mode in which such issues shall be assigned or endorsed.

The insinuation that so material a proportion of the capital stock of the Bank, as £11,686,000 is no more "than any other three per cent. stock," or like "the whole mass of the funded debt of the country," is too important, considering the quarter from whence it proceeds, not to require that it should be directly and explicitly met and refuted. Every act which relates to the renewal of the Bank charter, from the 5th of W. & M. to the 39th and 40th G. 3, expressly provides, that the Bank's exclusive charter shall be in force until a given time, and until Government have repaid to the Bank *the whole of their*

ticed by the Bullion Committee; on the contrary, it was insinuated, and he had read many such observations out of doors, as if the public derived no pecuniary advantage from the Bank, but that itself derived the whole of the profit arising from the circumstance of the times; so far from this being the case, the Bank paid annually to the public a very large sum of money on that account, to enable it to do which considerable sacrifices had been made, as the Proprietors but too well knew. The Bank

advances, which shall be then due, *principal and interest*; and Mr. Huskisson is challenged to point out a single section of any act of parliament, from the incorporation of the Bank to the present time, a period of 116 years, which warrants the proposition of the debt due from the country to the Bank of England being merely "like other three per cent. stocks," or like the "whole mass of the funded debt of the country." As it cannot but be satisfactory to those Bank Proprietors, who feel the stake they have in that fund, as important to themselves and families, to know the ground upon which they stand with Government, the following section is extracted from the last act, for a renewal of their charter, viz. the 39th and 40th Geo. 3. c. 28. sec. 14. "Be it enacted, That at any time, upon twelve months notice to be given after the first day of August, which shall be in the year of our Lord 1833, and not before, and upon repayment by Parliament to the said Governor and Company, or their successors, of the said sum of £3,200,000, without any deduction, discount, or abatement whatsoever, and upon payment to the said Governor and Company, and their successors, of all arrears of the said £100,000 per ann. And also upon repayment by Parliament to the said Governor and Company, or their successors, of the said other sum of £3,486,800, together with the interest or annuities payable thereon, or in respect thereof; and also upon repayment of all the principal money and interest, which shall be owing unto the said Governor and Company, and their successors, upon all such tallies, Exchequer

were, in fact, actually paying to the public no less a sum than £280,000 per annum, as a participation of its profits, besides the relinquishment of the unclaimed dividends. On the last renewal of their charter it was agreed with Mr. Pitt, to lend the public three millions, without interest, for six years, after which period it was to bear an interest of five per cent; under a succeeding Minister this bargain was opened, and at the expiration of the six years the Bank agreed to lower the interest to three per cent., expressly on account of existing circumstances: this was an abatement of £60,000 per ann. A further arrangement took place with the present Administration, in consideration of certain advantages said to be enjoyed by the Bank, and three millions more were lent to the public, without inte-

orders, Exchequer bills*, or Parliamentary funds, which the said Governor and Company, or their successors, shall have remaining in their hands, or be entitled to at the time of such notice to be given as aforesaid: then and in such case, *and not till then*, the said yearly fund of £100,000 shall cease and determine."

It is impossible to read this section, and compare it with Mr. Huskisson's observations, without feeling great obligation to the Directors for having the clause so worded as to place it above controversy. It is most earnestly hoped, that in all their future transactions with the Government of the day, they will be equally circumspect, remembering that the completest men of business leave the least to construction—the least to explain.

* The Bank hold Exchequer bills for the remaining £6,000,000.—How Mr. Huskisson can prove these vast assets "to have no more connexion with the issues of the Bank than any three per cent. stock, and that they are no part of the securities upon which their notes are issued," is not very easy to imagine. He evidently differs in opinion from the author of the Wealth of Nations, and other writers.

rest, till a peace should be concluded, this at simple interest was £150,000 per annum more, making £210,000 per annum. Besides which, a further abatement was made from the charges of managing the national dividends of no less than £70,000 per annum, on account of the increased balances which it was presumed that some regulations of office would throw into the hands of the Bank. The unclaimed dividends were undoubtedly the property of the public, but still they had formerly been allowed to remain in the hands of the Bank as a remuneration in part for the very great expense which the Bank incurred on account of the nation, and the relinquishment of those dividends having been also agreed on, was consequently an additional contribution paid to the public for the advantages enjoyed by the Bank. Nothing could, therefore, be more erroneous in itself, or more unjust to the Bank, than to impress the public with an idea that all the profit supposed to be gained by six or seven millions of extra issues, including the one and two pound notes, went into the pockets of the proprietors, when in truth so great a proportion of it was paid to the nation, which, since the renewal of the charter with Mr. Pitt, had been thus let into a share of their profit, to the extent of about £300,000 per annum.

Notwithstanding this liberal concession—a concession which had been severely felt by many Proprietors, and especially by those who had purchased their stock in the expectation of the dividend continuing at twelve per cent., it appeared from the Re-

port that a suggestion had been made to the Committee to fix a compulsory limitation to their dividend and carry their surplus profits "to the public account;" in other words, to seize upon their surplus profits! Upon what just principle? What! Seize upon profits arising from the legal and honourable exertion of their trade! Why their profits any more than those of any other corporation, while acting faithfully up to the terms prescribed by their charter? Or why upon theirs, any more than upon the gains of any other merchant? Theirs were the result of labour and hazard, their trade was conducted upon the same just principles, it stood upon the same fair footing, and he apprehended was like all other fair trades in this country, equally within the pale of legal protection! He recollected that the Committee in some part of the Report observed. Notwithstanding their dread of **EXCESSIVE ISSUES**, that in the years 1793 and 1797, when, on account of the alarm which prevailed, there was a run on the country banks for gold, and a consequent run upon the Bank of England, if the latter had then had the *courage* to extend, instead of restricting its accommodations and issue of notes, an effectual remedy might have been provided for the existing evils. Courage and peril were inseparable ideas, the former implied the existence of the latter, and yet it was after so perilous and laborious a course that this upright philosopher, be whom he might, would step in and recommend the seizure of their surplus profits! The idea was monstrous! He hoped it was without a parallel! He begged pardon, he recollected one

similar instance, which was during the heat of the French Revolution, and he believed the proposition fell from the mouth of Marat himself, who argued, that having subdued the aristocracy of birth, patriotism demanded that they should next encounter the aristocracy of wealth, and that the merchants of Marseilles and Bourdeaux should be eased of their surplus profits by "carrying them to the public account!" It was true, the Committee had reported such a scheme to be "objectionable as a most hurtful and improper interference with the rights of commercial property;" but he could not help expressing his deep regret, that they had not expressed the horror and indignation which he was sure they must have felt at such a suggestion, and with which it must fill the bosom of every good and virtuous man!

Mr. Jackson said, he came now to the conclusion of the Report, which contained the recommendation of a measure that, upon a review of all the circumstances of the case, struck him as one of a most dangerous and questionable nature! The Committee recommended that the Bank should be compelled by a legislative enactment, to pay their notes in specie, at a *fixed period*, which they proposed should be at the end of two years. He wished, Mr. Jackson said, to speak of the Committee with all possible deference and respect; there could be no doubt of the purity of their motives, they were gentlemen, he understood, of the very highest character; and the Report, notwithstanding its imputed errors, proved them to be persons of no ordinary talents!

Still this recommendation appearing to him to be fraught with the most mischievous consequences, and full of moral defect, he must request the indulgence of the Court, while he explained the grounds upon which he should hold such an enactment, as that suggested, impolitic towards the public, and unjust and ungenerous toward themselves. He felt great pain in appearing to stand there a candidate for public attention, it was impossible to express the repugnance with which he detained the Court; but there were occasions when men owed it to the community to speak out, he felt this to be one of them, and conscious that he acted under no personal inducement, or from any motive inconsistent with the most perfect singleness of heart, he would avail himself of their kindness, fully to explain his ideas upon this part of the subject.

The plain English of such an enactment would be, "That on such a day the Bank should pay whatever notes they might have outstanding *in specie*, however exorbitant or ruinous the price they must give to obtain it." The consequence of such an enactment would be, not a mere check to the merchants and traders—it would be a convulsion! an earthquake! to that commercial body which all orders in the State, and men of all professions, were equally interested in supporting. As soon as the Directors should know of such a legislative determination, they must, in self-defence, and in common justice to their constituents, withhold their accommodations in order to call in their notes; as soon as it should be known that the Bank must buy

up gold at all events, without regard to price, speculation in the article would be let loose, and by every possible artifice it would be run up to an extravagant rate, which the Bank must submit to, while it had the means of purchase left, or *disobey the Act*. Knowing, therefore, that those for whom they should discount, might come shortly after with their notes and insist upon *gold*, in return for the *paper* which they had deposited in the form of bills of exchange, the Bank must refuse to discount, rather than risk so ruinous a contingency; that such must inevitably be the case, the Governor and Deputy Governor in the course of a long, but most clear examination, had distinctly told the Committee. If the merely *narrowing* of their discounts in the years 1793 and 1797, had produced such calamitous consequences as had been detailed to the Committee, respecting the latter of which years the Committee itself had said in their Report that if the Bank "had persisted in diminishing their discounts to a *greater degree* than they did, they would have brought ruin on the mercantile part of the community," if the withdrawing but a million or two from circulation had had so serious an effect, and produced such disaster as to induce even the Bullion Committee to deplore, that in those years the Bank had not had the *courage* rather to extend than to diminish their accommodation, what a train of misfortunes might not be reasonably anticipated, when the Bank should be driven to the alternative of withholding discount altogether, and calling in so many millions of their notes, or be obliged to

lose twenty or more per cent. by the purchase of gold under the worst possible circumstances in which they could go to market; in short, ruin to the Bank must follow, if they continued their issues: for, while the market price continued above the Mint price, all their guineas would be drained from them, and, as was the case with the silver coinage in the reign of King William, they must repeat fresh issues of new coinage, each of which repeat would vanish as soon as it appeared.

This was an event which did not seem to have occurred to the Committee; at least, he could find no apprehension of it expressed in any part of their Report, though he believed no one doubted that such would be the case. The first observation which he had heard from every person who spoke of the Bank's paying in specie, while standard gold continued at any price, materially above the Mint price, was the certain evanescence of the guineas as soon as they should be issued*.

That such a measure would be both unjust and ungenerous towards the Bank, Mr. J. thought would require but little argument to prove. It was known, that during the few years preceding the

* It has been thought an extraordinary circumstance, that so intelligent a committee should appear wholly to have overlooked a consequence, which has struck every person who has read the Report, as one of the most important features in the case! Mr. Huskisson, however, in his pamphlet, seems, feelingly alive to the danger of the abstraction of our coin, while (speaking in his favourite phraseology) "the value of Bank paper is kept, materially, below par;" that is, in other words,

Restriction Act, the Bank had exhausted itself of its bullion for the public service. At a time when we were said to be fighting for our houses and our homes, and that our all was at stake; when British armies were upon the Continent, and when the subsidizing of foreign princes was deemed essential to our safety, such applications and such appeals were made by Government to the Bank, as it was scarcely possible for men who loved their country to withstand. The Directors were not blind to their danger, for it appeared, from a parliamentary Report, that they made twenty-nine remonstrances in the course of 1795 and 1796. It was not to be supposed but that Mr. Pitt saw the danger, as well as the Directors; but he had to choose between the possible embarrassment of the Bank, and our allies

while the market price of gold continues so considerably, above the Mint price. Mr. H. is so alarmed upon this account, as to deprecate the rashness of the Bank, in having lately issued some *seven shilling pieces*! The following is the passage alluded to in that gentleman's work: "I cannot help observing, on this occasion, that I have lately seen, with regret, that an issue of *seven shilling pieces* (I hope, to a very limited amount) has been made by the Bank: such issues of coin can answer no good purpose, so long as the value of their paper is kept materially below par; for, *it is impossible that gold should continue in circulation*, and, the quantity of it remaining in the hands of the Bank is thus fruitlessly diminished." According to Mr. Huskisson's own hypothesis, Bank notes are below par whenever the market price of gold exceeds that of the Mint; if so, should the Bank attempt to pay in specie, while this difference continues in any material degree, it will, upon his own showing, "be impossible that gold should continue in circulation."

being unsupported, and our soldiers perishing on the sands of Flanders for want of the means of purchasing supplies: the consequence was, the progressive exhaustion of the Bank, to such a degree, that when the price of gold got up on the Continent, there was a final run on the Bank; and, but for the timely interposition of the legislature, not only the Bank, but the country, would have been drained of the whole of its specie! But, was it for that public, to serve whom the Bank had suffered so much, now to turn short upon it, and say—"It is true, we drained you of your bullion in an hour of exigency; we admit, that in the moment of our utmost need you parted with almost your all to save us, but now, that we are saved, we insist that you replace the coin which you was so weak as to furnish us with; and, though we gave you but paper, you shall now provide yourselves with gold enough to coin fifteen or twenty millions of specie, however extravagant, or even fraudulent the price, or ruinous the purchase! This would not be a British conduct; it would not, he was persuaded, be the conduct of an enlightened or liberal legislature; nay, he did not even think it a conduct which the Bullion Committee, on further reflection, would continue to recommend. Mr. Jackson said, he even thought the efficacy of such an enactment so doubtful, that the legislature would, probably, were they to repeal the present Restriction Act, soon be obliged to pass another. This the Committee seemed, in some degree, to have anticipated, in their observation, that the *bare promulgation* of an act, re-

quiring specie to be paid at a given period, would raise the credit of the country with foreign nations. He (Mr. J.) feared, that repealing the present act, and then repealing the repealing act, would injure the national credit much more than continuing the present until the market price of gold should come back to the Mint price, near which it had stood for so many years.*

* The price of standard gold is, perhaps, the only possible criterion whereby to determine the time when it will be wise, or even safe, to repeal the Restriction Act. Gold, precious as it is, is still but an article of merchandize, and subject, like other such articles, to fluctuation, according to its demand. It appears, from Mr. Mushet's tables, that the *market price*, for a long period, was not materially above the *Mint price*, and, sometimes, even below it: it is not at all improbable, if things are left to their course, but such may again be the case, and that the price may become sufficiently stationary, to justify payments in cash.

The public are much indebted to Mr. Mushet, for the accuracy and labour with which he has constructed the tables alluded to; but it is submitted to his candour, in case of his publishing another edition of his work, whether he would continue to entitle one of his columns "per centage of *discount on Bank notes*," that the *market price* of gold, having risen above the *Mint price*, occasions, in that proportion, a depreciation as to *every other article*, than bullion, has been repeatedly admitted; but Mr. Mushet might have, with equal truth, entitled his column "per centage of *discount on corn, wool, or indigo*," or any other article of merchandize. It is to be regretted, that when terms, which are perfectly inoffensive, would express the same idea, that those should be selected which are most dangerous and degrading to the national credit. Mr. M. must know, that Bank notes are not, in fact and practice, at a discount; and that the man is not in existence, who can produce a single in-

Mr. Jackson particularly begged, that he might not be understood as arguing against the resumption of cash payments, when it could be done with safety; on the contrary, he admitted that the national Bank, not being able to answer its notes in cash, indicated a sickly state of things: it shewed the state to be somewhat out of tune! All he contended for was, that that evil which had come progressively on the country, might be progressively in its cure, and not be prematurely met by rash and dangerous expedients: he thought the period might be safely left to the discretion and probity of the Directors; it was known to be their wish to resume cash payments, and they had formerly apprised Government of their readiness to do so.—

stance of such an occurrence. It is very consolatory, that, notwithstanding the drum has been beaten from one end of the kingdom to the other, no person has yet been found willing to part with his one pound notes, for nineteen shillings and eleven pence!

It is observable, that, according to these tables, the market price of standard gold was, in the years 1770, 1775, 1780, 1785, 1790 and 1795, at times *below the Mint price!* Were such the case now, according to Mr. Huskisson, and Mr. Muesel, Bank notes ought then to sell for a premium; and *guineas*, although of full weight, would be *below par*, or in a state of *depreciation*. If, under such circumstances, the army and navy were paid in guineas, would the former gentleman, as in page 20 of his work, exclaim against “paying the wages of *valour*, talent, industry, and labour, in a *depreciated currency?*” Happily, the army and navy do not much addict themselves to abstract theories; and, it is hoped, will continue to believe, and to experience, that their *valour*, and their wounds, are not paid for in a *depreciated currency!*

Nothing could be more candid than the declarations of the Governors on this head before the Committee: on being asked if they would advise the Restriction Bill as a permanent measure, they answered in the negative, though they knew of no injury which had yet resulted from it. On being asked, what inconvenience would arise from its being a permanent measure, they said they could point out none; but that, independently of the satisfaction which it would afford them, as Directors, they thought a deference to public feeling should induce the restriction being removed, as soon as our political and commercial relations would admit of the measure.* When it was recollected,

* Mr. Huskisson, in page 34 of his work, seems to raise an inference, that Mr. Pearce, the present Governor of the Bank, had given an opinion to the Committee, in favour of the restriction from cash payments, being made a *permanent measure*; and quotes, for that purpose, the following passage from one of Mr. Pearce's answers, viz: “In his view of the restriction on cash payments, no positive inconvenience would be likely to result from its being made a permanent measure. It is, perhaps, but justice to that most respectable person, to give the questions and answers, as they stand in page 112 of the Appendix: observing, that the questions are evidently framed (from what motive does not appear), so as to draw from the witness answers in the *affirmative*:—

Question—“Are not you therefore of opinion, that the measure of restriction of the cash payments of the Bank is proper, not merely as a *temporary* measure, to obviate temporary difficulties, but as a measure of *permanent* policy?”

Answer—“Although under existing circumstances, the Restriction Bill is found necessary, and experience has proved, as well as I can judge, that no injury results, or is likely to result,

that the witnesses had unanimously, and Sir Francis Baring emphatically expressed their great confidence in the discretion and integrity of the Bank Directors, upon this point; and that their conduct

from it, yet in a *different situation* of affairs, the necessity for its operation might no longer exist."

Question—"What inconvenience would you see in your view of the operation of the restrictive system, to its being a *permanent measure*, supposing the Bank to regulate its issues in the manner you have described?"

Answer—"From our experience, and in my view of it, I can see no positive inconvenience likely to result from its being a permanent measure, nor do I see any advantage that will arise from its being continued, when our political and commercial relations will admit of its removal; and I am further of opinion, that in addition to the satisfaction which, as a Bank Director, I should derive from the removal of the restriction (when the necessity for it ceases), *the feelings of the public* would not be satisfied, unless it had in expectation such a change."

On a subsequent day, Mr. Pearse was asked—Question—If it were not for this feeling or expectation, on the part of the public, should you be of opinion, that it would be expedient to continue the restriction as a permanent measure, &c.

Answer—"I have already stated to a former question, that I am not aware of any positive inconvenience resulting from the present operation of the restriction bill, or likely to result from its being rendered permanent, except as far as regards an expectation on the part of the public, that it will be removed; but this circumstance is in my opinion essential, and cannot be kept out of view in any consideration of the subject. Whether it would be advisable to secure the public against a liability to the recurrence of the inconveniences that led to the restriction bill, by sacrificing their feelings on this point, and absolutely removing all expectations of its being only a temporary measure, appears to me to be entirely a *political question*, on which I do not conceive myself qualified to give an opinion; but I may venture to observe, that public credit and public opinion always go hand in hand, and that the one is invariably influenced by the other.

had been, in more than one instance, a theme of panegyric with the Committee, he felt himself warranted in saying, that the period of paying in specie might be left, with the greatest propriety,

As far as concerns the keeping of bullion, I am of opinion that the Bank does not entertain a wish to be relieved from having a large supply, having in this, and all other instances, always governed itself by an attention to the public interest, as well as its own."

Supposing Mr. Pearse's opinion to be that (excepting as to the importance of public opinion) it would not be sound policy again to resort to the precious metals for a circulating medium, it is submitted that he is countenanced in his opinion by several very eminent writers who inveigh against the expense of such a medium, as a waste of profit and a draw back from revenue.

As the Governors of the Bank, are certainly at issue with the Committee on the above subject, as well as on that of excessive issues, checking if not punishing themselves, it may not be amiss to notice their respective sentiments.

The governors are evidently of opinion that the *public expectation* of a removal of the restriction from payments in money, is almost the only sound reason that can require it.

The Committee are of opinion that, "no sufficient remedy for the present, or security for the future can be pointed out, except the repeal of the law which suspends the cash payments of the Bank of England," that is (supposing it practicable) again to employ twenty million of specie, or perhaps much more, in the circulating medium of the country.

Perhaps the doctrines of such a man as Doctor Adam Smith, may help us to judge between these and some succeeding adverse opinions. That great proficient in the science of political economy, treats *specie*, though a part of the circulating capital, as having the properties of the fixed part of national capital, such as machinery, instruments of trade, &c. which, though from its operation, it, like them, produces profit, it does not in itself yield any, but is on the contrary chargeable, like them with interest as dead stock, and subject to the expense of

to the discretion of those, whose forbearance from any one selfish act, the Committee had spoken of in terms of admiration!

Mr. Jackson said, he felt but little apprehension

keeping in repair. He says, "Money, therefore, is the only part of the circulating capital of a society, of which the maintenance can occasion any diminution in their neat revenue."

"The fixed capital, and that part of the circulating capital which consists in money, so far as they affect the revenue of society, bear a very great resemblance to one another."

"First, as those machines and instruments of trade, &c. require a certain expense; first, to erect them, and afterwards to support them, both which expenses, though they make part of the *gross*, are deductions from the *neat* revenue of the society; so the stock of *money*, which circulates in any country, must require a certain expense, first to collect it, and afterwards to support it, both which expenses, though they make part of the *gross*, are in the same manner *deductions* from the *neat* revenue of the society."

"In computing either the *gross* or the *neat* revenue of any society, we must always, from their whole annual circulation of money and goods, deduct *the whole value of the money*, of which not a single farthing can ever make part of either."

"Every saving in the expense of collecting and supporting that part of the circulating capital which consists in money, is an improvement."

"The substitution of *paper* in the room of gold and silver money, replaces a very expensive instrument of commerce for one less costly, and sometimes equally convenient. Circulation comes to be carried on by a new wheel, which it costs less both to erect and to maintain than the old one."

"There are several different sorts of paper money; but the circulating notes of banks and bankers, are the specie which is best known, and which seems best adapted for this purpose."

"When, therefore, by the substitution of paper, the gold and silver necessary for circulation, is reduced to perhaps a fifth part of the former quantity. If the value of only the greater part of

for what might be the ultimate decision of the Legislature, he did not think that they would readily deliver themselves up to new theories, opposed, as they appeared to be, to experience and fact; but

the other four-fifths be added to the funds which are destined for the maintenance of industry, it must make a very considerable addition to the quantity of that industry and consequently to the value of the annual produce of land and labour."—The Doctor then proceeds to shew the beneficial result of this "new wheel of *criticism*," either by the enlargement of the general currency to the extent which the trade or revenue requires, or by transmission of the bullion abroad, to be employed in the carrying trade, or for the purchase of necessaries which we could not otherwise obtain; and this, he says, "is like a new fund erected for carrying on a new trade; domestic business being now transacted by paper, and the gold and silver being converted into a fund for this new trade."

He admits that, in a certain event, paper money might not be quite so secure; and he instances an unsuccessful war, in which the capital might fall into the possession of the enemy, and with it the treasure that supported the credit of the paper money, in which case there would be "a much greater confusion in a country where the *whole circulation* was carried on by paper, than in one where the greater part of it was carried on by gold and silver."—*Wealth of Nations*, vol. 1. p. 428, & seq.

Enough, it is presumed, appears from these passages, to shew it to be the opinion of this learned person, that more specie should not be employed than public opinion may render necessary; and, consequently, that if the public could be rendered so secure as to inspire them with full and perfect confidence in the paper currency; that specie might then be wisely and economically dispensed with, as far as respects domestic circulation, except for the purposes of inferior traffic.

The opinion of the Governors of the Bank, and of Mr. Harman, one of its Directors, respecting the natural checks upon excessive issues, seem to be equally countenanced by the same eminent authority. These gentlemen are of opinion that "a

when it was recollected, that several months would probably elapse before the meeting of Parliament, and that in the meantime the pamphlet, to which he had called their attention, would be circulated

superabundance of notes would no sooner exist in any material degree, than it would be corrected by its own operation; for the holders of such paper would immediately return it to the issuers, when they found that, in consequence of the over-issue, its value was reduced, or likely to be reduced, below par: thus, though the balance might be slightly and transiently disturbed, no considerable, or permanent over issue could possibly take place, as, from the nature of things, the amount of Bank notes in circulation, must always find its level in the public wants." In another place they say, that as to discounting bills, "which forms a very important part of the occasion of the issues of Bank notes, care is taken, in the first instance, that they shall be bills of *real value*, representing *real transactions*; and that they are all due within the period of *two months*; that parts of them are becoming *due every day*; so that unless renewed discounts take place, the payments of those bills, as they become due, would, of itself, take out of circulation such quantities of Bank notes, as would deprive persons to such extent, of taking gold out of the Bank." And Mr. Harman distinctly says—"I think if we discount only for *solid persons*, and such paper as is for *real bona fide transaction*, we cannot materially err." Mr. Whitmore, the late Governor, is equally decisive in his opinion, that if the Bank were to increase their issues from twenty (their present amount) to thirty millions, "the surplus quantity not being wanted, would revert to them."

The Committee, as appears by their Report, differs as widely from these opinions, as to state, that although "the Bank Directors, as well as some of the merchants, who have been examined, profess themselves to be thoroughly convinced that there can be no possible excess in the issue of Bank of England paper, so long as the discount of mercantile bills is confined to paper of *undoubted solidity*, arising out of *real commercial transactions*, and payable at *short and fixed* periods; this appears to your

throughout the kingdom, it had appeared to him to be important that it should not go unattended by such observations as would enable the public to judge between the Bank and the Bullion Commit-

tee to be a doctrine *wholly erroneous* in principle, and pregnant with *dangerous consequences* in practice."

The following passages from the author of the *Wealth of Nations* (an authority which the Committee profess to think highly of) will show how far they are supported by him in the above conclusion. He says, "the whole paper money of every kind which can *easily* circulate in any country, never can exceed the value of the gold and silver, of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money."

"Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad, nor be employed in the circulation of the country, it must immediately return upon the banks, to be exchanged for gold and silver."

"There would immediately, therefore, be a run upon the banks to the whole extent of this superfluous paper, and (if they shewed any difficulty, or backwardness, in payment) to a much greater extent: the alarm which this would occasion, necessarily increasing the run."

"When a bank discounts to a merchant a *real bill of exchange*, drawn by a *real creditor*, upon a *real 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. The payment of the bill, when it becomes due, replaces to the Bank the value of what it had advanced, together with the interest. The coffers of the Bank, so far as its dealings are confined to *such customers*, resemble a water-pond, from which, though a stream be running out, yet another is continually running in, fully equal to that which runs out; so that, without any further care or attention, the ponds keeps always equally, or very near equally full."

Wealth of Nations, vo. 448 et seq.

tee. In the meantime he took the liberty, as one of the Constituent Body, to recommend to the Directors to persevere in that firm and undeviating integrity which had so much distinguished them; to

It appears to be evidently the opinion of this philosopher, that, provided the confidence of the public in the Bank be complete, that then the circulating medium, consisting of notes, is a great and rational saving to the state; and that the precious metals may be much more profitably employed than in domestic circulation. He is likewise of opinion, that the aggregate of business, will determine the quantum of its own demand for the circulating medium; that where paper money is not in use, this quantum must be supplied by the precious metals, or trade be proportionally abridged; that, where paper money is in use, it cannot exceed this quantum, permanently, or with impunity; being, in case of excess, sure to revert to the issuer, with the additional inconvenience attendant on the alarm which excess naturally excites. It is certainly true, that Dr. Smith regards, as a main feature of his paper system, its convertibility, on demand, into the value which it represents; and that, at the period at which he wrote, he did not contemplate any other description of value than specie, as he employs several calculations, to show, with how small a proportion of it, a bank, enjoying the public confidence, may issue its notes to a great extent. But, supposing the Doctor to have lived at the present period, when, for state reasons, the emission of gold coin is prohibited, and, when it is known, that the enemy is, by every possible artifice, endeavouring to drain the country of its bullion: is it reasonable to think, that as long as Bank notes are convertible, on demand, if not into money, into money's worth, that is, that they will pass for their full value for any article whatever, throughout the whole range of produce, trade, or manufacture, except bullion, that Doctor Smith's hypothesis would not still have been the same as when specie formed a part of the circulating medium; the material, and indeed only question, being (as the ground-work of confidence), that the Bank

continue a liberal assistance to the trading interest, strictly adhering to those rules which themselves had laid down of discounting none but known good and valid bills, and such as were the genuine offspring of bona fide business, or mercantile transaction; and to identify themselves upon all occasions with that public which they had so essentially served, to whom (to use the words of one of the witnesses, Sir Francis Baring), "the Bank had proved a most important and invaluable instrument in promoting its prosperity." "The paper of the Bank of England," says the worthy Baronet, "has stood firm for above a century, and flourishes at this moment with unabated confidence. The power reposed in the Bank is great; their paper is the basis on which the best interests of the country rest; it is the seed which serves to produce the whole of its commerce, finance, agricultural improvements," &c.

note should be instantly convertible* into the *value* which it represents. Should any measure be wanting to establish the Bank of England in the confidence of the public beyond the known fact of its being able at any time to pay forty shillings in the pound; or should it ever be thought advisable that the Bank should issue a much larger proportion of small notes as a substitute for those spurious issues with which some parts of the country have been overwhelmed, and the additional guarantee of Parliament itself as to each specific note, up to a certain amount of issue, be deemed expedient. Modes for giving that security might, perhaps, be easily suggested, on terms equally advantageous to Government and to the public.

* Dr. Smith's observations on the consequences of the *non-convertibility* of notes (referred to by the Committee in their Report) applied to the Scotch *optional* notes, which allowed the acceptor, if he preferred it, to accept, at six months sight, instead of paying them on demand!

&c. Such Mr. J. believed to be the character which the Bank deserved, and such was the character which he trusted the Directors would maintain; their path was plain, their duty was obvious, and clearly pointed out by the statute law of the land; it was to manage their affairs with all suitable economy, and to divide the profits of the concern among the proprietors, whenever they could do so consistently with those rules of discretion which the law had also pointed out to them; while they so conducted themselves they would continue to enjoy the goodwill of the public, and the protection of the State. At all events, they would preserve to themselves the consolation, and the credit, of having deserved both the one and the other.

FRNLS.

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