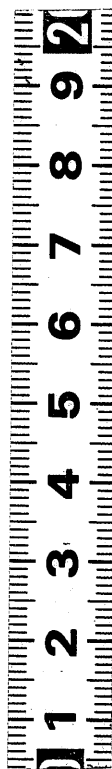


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*St. Hent. Early Lauderdale.*

BANKING, AND ITS EFFECTS;

OR,

THE ORIGINAL AND PAPER CURRENCIES,

OUR SITUATION AS THEY ARE CONCERNED,

AND THE

CONSEQUENCES OF THE CHANGE WE MEDITATE,

CONSIDERED,

IN A

LETTER

TO THE RIGHT HONOURABLE

SIR JOHN SINCLAIR, BART.

M. P. 8c. 8c. 8c.

By Mr. D. BAIN.

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1810.

THE RIGHT HONOURABLE

SIR JOHN SINCLAIR, BART.

M. P. &c. &c. &c.

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SIR,

I HAD lately the pleasure of observing some mention of a letter from you, on a very interesting subject;—I had not only thought, but in some measure written upon this subject; and naturally desired, if possible, to know how far I possessed such a suffrage. I have not been able to procure your letter; nor if my sentiments can be of any consequence, should it be regretted perhaps, that, as I have determined to submit them, they will appear uninfluenced. I believed that your anxiety would pass over many things, and I must really have satisfaction in thinking, that, I have omitted no opportunity of doing every thing in *my* power; and as I could not procure the paper in question, and was hopeless as to any systematical and indepen-

dent observations; and as the whole subject I shall be driven upon, is, in some degree, in agitation, or at least, must be agitated before this question can be determined; I thought I could hardly hope to acquit myself with more appearance of respect and evidence of rectitude of intention, than by submitting what I had written, as it stood connected, in a paper I had intended for a publication in progress here, and under the title—Banking.

The *præcognita* I omit of course; the rest with whatever diffidence, I shall probably submit unbroken.

Banking.

“BANKING, then (I proceeded,) as it now exists, is either a depositing in a fixed place, the occasional surplus of circulation for the purpose of meeting the general exigencies; or,—An adding of the credit of individuals of conduct and discernment to the currency of the country; for occasionally, or generally extending its powers, facilitating enterprise, or accommodating in general.

Operation.

To suit these different definitions, there must be different modes of management; the first is,—by holding merely such part of the actual circulation as may be unoccupied and deposited in the Bank, at the temporary command of such as may have an opportunity of using it more advantageously than those who have deposited it; and this is the mode with merely discounting banks in general: their powers and profit arising, from having themselves in reserve, in their coffers, or in the hands of some more

extensive establishment, at the same interest as they themselves pay, such sums as may be equal to any probable exigency, and enable them to lend with confidence at 5 *per cent.* what they may have of their own, or has been deposited at 3 or 4. They *add nothing in reality* to the currency of the country; but bringing it more entirely to use, must so far augment its powers; and in every emission on credit, most probably affording an accommodation, give relief, and facilities of advantage that render their value less easily to be defined. Thus £100, or any specific sum in the hands of a retired individual, or of an individual who has for the time no opportunity of using it, might be so much, nearly, if not entirely withdrawn from circulation; and so far as unused, as if it did not exist, even to the possessor. On committing it to a Bank, he receives from them all he expects or desires to make of it; and yet having it at his command, may hardly be said to part with it. By lending it for different short periods in the course of a year, if but to an hundred different persons, so many different opportunities of advantage are thus *visibly* embraced, which could not have been embraced perhaps, but for this circumstance; and so oft the currency of the country has by their means, been multiplied by itself; or £100, have performed the duties of nearly £10,000; and the money, and its accumulating interest, have been revolved to the lenders, perhaps, with a gratuity every time for their concern.

In the second case,—associations of individuals of credit, instead of *money* in exchange for *private obligations*, give obligations of their own; these being respected by the country, answer to the holders all the purposes of real currency, while the lenders are well rewarded, in having all the legal returns of money for only the use of their names. Their power arises, first, from the confidence of the country that receives their obligations; and from having actually in their coffers, such value in money as may acquit such part of their obligations as may be desired in another form; but which being much exceeded by the amount, it enables them to have in circulation, on the faith of it, is no loss, but an expence of trade. They give the same addition of power, and other relief and accommodation as has been already mentioned; and they add to the currency of the country, by all the sum in which their emission, or obligations may exceed the reserve in their hands; *and to this extent, increase the quantity of property in circulation, and depreciate its powers; or increase the competition for enjoyments, and enhance their value;* as do the Banks merely trading in specie, to the extent of the augmentation of its powers; but both with results that have already been anticipated.

Effects.

Take an individual instance, and the advantages of a bank need not be stated. He will say at once, that they have done him the most important service, and yet seemed equally obliged with himself; and popularly considered,

as both receive in exchange for their currency, obligations over private property, or where there is confidence of Capacity and Integrity, accommodate even on these; they may be said to turn at once into the implements of industry, and means of enterprise, whatever of fixed property or even of character and intelligence may exist in the community. A man in possession of an estate, has the means of any advantageous improvement on the security of the soil; a man who has been able to build a ship, or to plough his ground, on the faith of these and his arm, may have every farther requisite. The credit of the country, as it exists between man and man, is turned into the requisites to every species of eligible exertion, and at the expence of the materials on which the reciprocal obligations have been embodied. Sagacity, industry, and probity are rendered equal to immediate fortune; every source of prosperity is laid open; every spark of intellect solicited into action; and the means of comfort (*should be*) augmented and diffused incalculably.

And this opportunity is unquestionably given; and to render it less complicated, we have only to trace the system to its origin. A Bank, then, is no other than a public friend, receiving to use and safety what the individuals connected with it may not at any time have opportunity of using, and encouraging such as may want its assistance, and can make assured that it may be given with safety to expect it; and this upon such terms as the most dignified

Explanation.

friend must require,—that it shall be evidently for the good of the person desiring it to accept it. To restrain this, were to say to an individual having the power of obliging, that neither his interest nor pleasure must dictate this use of his property; and, to the person in want of his assistance, that no friend shall be entitled to afford that favour.

Farther  
considera-  
tion.

In a private light, then, the exertion of the banker is assimilated with the privileges, we must relinquish the last. It is next to be regarded as its effects are public.

The obligations of a Bank are issued in return for obligations over private and fixed property; for property is the source of credit. Their operation then is converting fixed property into currency, and here the considerations we should be employed upon, are opened.

1st, By this system, *all property* is rendered alike convertible into the means of exertion, should that seem desirable.

2d, Were there no real circulation in existence, the business of the country would be uninterrupted.

An immense addition is therefore in all probability, made to the property in circulation.—A very great facility is afforded of divesting ourselves of our inheritance, whether for purposes of advantage or extravagance.

Conversion  
of property,

This general facility of converting the more fixed description of property, has been the effect of what is now termed Banking entirely; and it has been proved to be beneficial,

as to a certain extent it must be desirable, and is evidently rational. For *all property*, whether it exists immediately in the soil; possession or title to any object of desire specifically; or in that circulating condensation of industry that has been termed *money*, is in every part convertible; and generally or specifically valuable, or the contrary, as the situation or disposition of the different holders may make it so; and should to its value give the same advantages.—Regarding money from its intrinsic value, as a part of property, to consider this one particular portion of property only, a disposable substance, were resigning ourselves in the possession of every faculty, and under every inducement to use them, to the use of a single member. As a general representative of property, it is an unequal representative, if being laid against every other species of property, it could not at all times be held equivalent. A part, and only a limited part of property, being represented and disposable, and this part the organ of industry, in whatever manner the industry of particular members of the community may increase or diminish the industry of the *whole* is fixed to the power this proportion gives them. They cannot therefore be active to the *extent of their means*, on the most favourable supposition; and as accumulation is the object of exertion, and the removal of competitors, would the most infallibly lead to this accumulation; the expence of engrossing this important part of property would be overpaid by its advantages; on every

desirable  
and  
rational.

Effects of  
different  
systems.

revolution its sphere must be diminished; and while a few were rolling in unopposed exertion, the rest must stand spectators, with no possibility of taking part in the scene, unless on conditions and in characters the most hopeless. This is fairly deducible from reflection; it is evidenced by even recollection. The state it supposes is absurd to thought, as it must be ruinous if reduced to experience.

Bank currency a relief—

Attendants on that system.

That must clearly be a relief, that enables every one possessing the least property, to the extent of that property to be active, and this the currency of the Banker does. But, as circulation redounds in quantity, it is reduced in value;—much property being brought into circulation, it is reduced in value.—The inheritance that has descended to us from age to age being converted into currency, we are enabled to expend at once, what has been accumulating for ages.

It is evident, that by this now first existing symbol of property, the accredited testimony of a person in the impression of its existence, it is *competent* to the community, should it ever seem desirable, to bring into the market even their whole inheritance; and the different sponsors to the bankers taking the liberties of a voter at an election, and each separate piece of property pledged, being pledged indefinitely, something is conceivable at least, which to follow up in words were useless. When we think to what an extent this might even in probability be carried, and for purposes nationally

considered, the most extravagant, this facility will appear, at least as terrible as it should be useful. For to divest ourselves as individuals, to the extent of every particle of original property; or to purchase to the extent of our possessions, is the least that can be competent under such a system.—If this is in articles of substantial necessity, there is little cause of regret; such ever bearing value, and in their abundance, constituting the most general happiness. But it is not necessary to views of profit, that the objects of purchase should be of this description. The merchant's emolument too often lies in exchanges the most ruinous to the country; in exchanges, neither of necessity nor comfort; absorbing an enormity of these in their purchase, and perishable if not pernicious as they are expensive: nor while the country will receive and can pay for them, is there any art likely to remain untried by the merchant to supply them; nor can the banker while personally secure, consistently with his interest, or even professional existence, refuse to accommodate either adventurer perhaps or purchasers.

This were serious, but there may be correctives. Correctives.

If by any existing system, we have relieved entirely the real currency, to this extent our opportunities of advantage, or the contrary, are to be attributed to that system. The banker, however, (regularly at least,) being liable to relieve by the general currency, so many of his obligations as the country may choose, or find it ne-

ecessary to demand, his obligations, and consequently the debts the nation can incur by him, must ever bear proportion to the power of extinguishing them; and consequently, to the quantity of currency he can command. As his debts extend, so, regularly should this partial security. Our circulation is originally only a small part of the property it is intended to circulate, and it is still further limited by our subordinate and domestic operations: the real currency entire, is all the banks can, under any system relieve; regularly, they but relieve what may remain after these deductions; and *this* is their faculty nationally considered, or the power they directly afford of enriching ourselves, or the contrary, by the occasional divestment of immediate currency.

In exchanges in produce, if they give any extraordinary facility, they must first have been instrumental in facilitating that produce; for although, the provision that remains for many is evidently poor, yet in some way or other, *all* must be subsisted; we only gamble therefore with the surplus of our property. The greater that surplus is, the greater must be the return it will bring; it remains with the country to provide, that that return shall be rational.

In the affair of *entire* divestment, therefore, some considerations of comfort seem to be nearly established; we can only divest ourselves of the redundancy of our immediate produce; that is, the substance by which we are from year to

year subsisted; and, by the banks,—of only an augmented proportion of that condensation of industry, that has descended by inheritance to us in the form of money. The portion of currency that may be spared, added to these exchanges, may still, it is certain, be sufficiently serious; but as the money if not returned, cannot be re-spent; and it is hoped, under all circumstances, the real redundancy only of our produce, will be yielded to the exporter; to subsist from hand to mouth is the worst that *can* here befall us; and more than ever will befall us, while an house, furniture, or any description of property, are objects superior to what we shall eat or put on.

Our considerations may therefore be now of a nature entirely domestic; and first,

The system generally considered.

All debts incurred and discharged in whatever manner, among ourselves, are mere transfers of property; if at a loss to one individual, profitably to another; the country neither gains nor loses, but as so much of the population might in the mean time have been more profitably employed; individuals must take care of themselves;—for every failure may be ruinous to a circle of individuals, though the loss of a single vessel is more directly national, than any number of bankruptcies united. We are to see what are the consequences of the facility of Transfer, the system in question, has afforded us; in what this system is different from that to which we would oppose it; and whether that difference is desirable.



An extensive circulation.

It is allowed, and evident, that from the confidence now generally existing in regard to them, the banks enable us to have in circulation, a very great value in property; their first attendant then, is an extensive circulation. The more extensive and accessible the substance purchasing is, the greater number of competitors there will be for the substance to be purchased; the power of the circulation therefore in its divisions will decline, and the price of industry and immediate produce will rise; and this is the price of the accommodation the banks afford us.

It is our business at present to discuss their faculties, not the advantage that has been taken of them; and this is obvious;—that in allowing every man possessing either property, or the confidence of his friends, to be active; if that activity can be of use, they cannot be unimportant; and this is their power. A large proportion of property then will be brought into circulation, and a greater competition will exist for its employment. Property, in every shape, has for ages been accumulating, and the facility of augmenting it, promotes its circulation. This will not only be visible in our profusion for particular enjoyments, but so long as there is a market to repay our competition, the same spirit will from views of final interest, enter into our general transactions. Less produce or industry in any particular branch, will be attained at the price that might in slacker times have purchased it, because there is a greater demand for this industry, and the objects it is

about to produce; more to give for these objects, and consequently for the industry that is to produce them; and still a remnant of return, that is at least worth desiring.

As a nation, until our neighbours shall be unable to receive these productions at the price we can accept for them, we may be gainers; and the more generally we have been able to be engaged in producing them, the more generally that gain will be diffused.—Among ourselves, we may only be said to employ a larger nominal circulation; give and receive at the value of one shilling, what nominally were two; the business and abundance we have been assisted to, are *real*, this excess of expenditure only nominal; the property in circulation has declined in value, because it has increased in quantity, and in proportion to our activity, we are sharers in that increase; we have a greater number of objects to purchase; we have more to purchase them: the competition consequent on this variety of objects to purchase, and abundance to purchase them, necessarily leads every one to give all he can for his object, and he is indemnified by receiving the same in return for whatever he has himself to impart; our gain here may seem trivial, but it is really great; there is a greater choice of comforts; there is a more general opportunity of attaining them; and this is exactly the result desirable.

Nationally considered.

In a domestic light.

This is only comfortable to those in action, the others have only the miseries of the competition, and none of its advantages; yet as the



active are the majority, and perhaps the only majority that should be listened to; and this tax is necessary, if we would not hazard excluding from action, whatever we should desire to see most active; the others must be contented to bestir themselves from time to time, as they find indispensable to their preserving their station; and they may then acknowledge, that, as to render all property alike useful to its value, is barely rational; so to reduce it into currency, without changing its proprietor, is the best preservative of that already acquired, and will tend most strongly to its augmentation. For, though the banker being restrained in his emissions, might soon fix again every particle of our now floating inheritance, and raise the value of immediate currency, as much beyond the standard that may now exist in our recollections, as the quantity of industry and enterprise has been augmented; it would not only be to the embarrassment of that enterprise, but to its total extinction.—First, As his credit to an individual of capacity, *is the only instrument of exertion that can never be engrossed*.—Next, As being limited in his connections, he can have no object but that they should be *safe*; his particular profit, placed against his risk, being nothing; and there being now no hope of indemnification from the aggregate; and in this the end of the institution is involved. And it is implied, that in this is involved whatever can deserve the name of credit; for in the assistance of a private friend, not only dependencies are gene-

Effects of  
Restriction.

Extinction  
of Credit,

rated, and embarrassments incurred, altogether unknown in the independent transactions of a banker; but as many such private favours are probably to be subducted from the funds by which we should either immediately exist, or at least provide the means, that they should be extensive were impossible, and disgust on the one hand, and perpetual terror on the other, must soon put an end to it entirely.

Credit being removed, the consequence is obvious; monopoly *unavoidably* resumes its station, for there is now no competition, and who shall be compelled to go twice to market, when he may be enriched by going once; or where *all* cannot be supplied, how are we to compel to even a partial distribution, but by a rise in the price of the article in request? The country, instead of paying dearly (as she will have it,) for abundance, gives her all, and is starved.

Without a general power of industry, this must be our situation; this power can consist alone, in the occasional liquidation of property; and this faculty of liquidation, in the most extravagant circulation, or as has been mentioned, in the assistance of a banker. Money is known to be an expensive circulation, merely as it is a valuable part of property, in perpetual use, and therefore constantly declining in value. It is more exhausting still, as being incapable of remaining inactive without loss to the possessor, on a decline in value, from a dearly purchased abundance, or from a limitation in opportunity of using it, it has disappeared, and

and impoverishment  
of the state.

Money as  
a power of  
industry.

is again to be purchased, preliminary to every enterprise; and at a rate proportioned to its quantity, and the emolument expected from it.

It is only a part of property; passing from hand to hand, in ordinary times, it may circulate much, without being itself extensive; but in the moment of competition, it is evidently laid against every other species of property. To-day it may be in such request, as that property shall be given for a guinea, that has been purchased at the expence of many; because something still beyond this may be in prospect for it. On a change of circumstances, other property regains its value, and money its level; and the possessor of much depreciated property yesterday, is to-day, possessor of a few depreciated guineas.

Lastly, As the circulation of a country, being fixed in its nature, unless perpetually augmenting in quantity, it is every moment depreciating property in its augmentation; and being augmented in quantity is depreciated itself; for it is a part of property, yet if not in action, is entirely useless; and as eagerly as it is sought upon a prospect of advantage, it were regular at least, that it should be avoided on a change.

Being limited in quantity.

To exaggerate its value by a limitation in quantity, were to increase the effects of its fluctuation; to encourage gambling instead of industry; and bring together the extremes of affluence and ruin.

Augmented to every purpose.

To increase it to the extent that might on regular terms, be equal to every occasional

exigency, were not only assuming, for incidental advantages, a permanent, and directly most expensive establishment, but assuming it, and endeavouring to support it in vain; for as on a decline in value, all would be contented that the expence should pass from them, the currency would go where more wanted, and that to be re-purchased as it had never been ours; it could be regained by a divestment of property only, and of property depreciated as the commodity sought had risen; no advantage, therefore, *could* be embraced without a sacrifice, and none *would* be embraced that did not promise to justify the hazard.

It is enough at present to say, that in most circumstances, the credit of the country as embodied by the banker, is equally powerful, and more convenient. That it is attained without a sacrifice, and used without loss; for no property is sold to purchase it, and it suffers no deterioration from its age. That it is incapable of being enhanced by scarcity; because, every species of property may alike be converted into it; incapable of being depreciated by a redundancy, because the moment it is not wanted, it retires as it had never been; and is inactive without loss. It encourages enterprise, by making it easy, it encourages property by leaving it fixed; it gives an elasticity to our power of industry that renders it equal at once to the greatest, and unincumbering in the least occasions; they are so many heads, ever ready to bring the channels assigned them full, yet to absorb and

The currency of the Banker.

fix again whatever may redound, and from whatever cause;—we know that in them the system of circulation has been perfected.

Objections  
examined.

As it is hardly conceivable, that any man should desire to become indebted upon whatever terms, but in prospects of advantage, the facilities they afford of this description, might perhaps be passed from. But as it is certain, that to the extent that they add to the quantity of the substance purchasing, they enhance the value of the substance to be purchased, and so reduce the value of property already acquired; and as this reduction is already imagined to have amounted to an inconvenience, it should be endeavoured at least, to discover how far they may be concerned.

Profusion.

Supposing their credit to be lavished in succession, to every one merely capable of assuring them, that it shall not be to their personal detriment, a depression that in time might be inconvenient, is even unavoidable. For by an attempt at any establishment, by the person possessing this credit, so far as his influence goes, some product or other is enhanced in value; the established trader must thus raise its price along with the adventurer; and neither interest nor inclination may point to the first possible mitigation in it. The person in want of whatever may be so affected, must increase his power of purchase, by a charge in his turn upon some other quarter; a round of reciprocation is thus generated, which it is not easy to conceive reduced, as if the person accommo-

dated has failed, the property impledged for him has atoned, and so much more of fixed property has been brought into circulation. The same in the case of private dissipation, or in attempts to withhold commodities from the market, which for the time, so far as the consumer is concerned, is tantamount to a competition for, or consumpt of them. By either, the system is disturbed;

*But they cannot lavish their credits.* For if not wanted in actual and substantial business, they return upon their source; they are no longer a debt upon the national industry; so much property has been transferred, and paid for most probably in property by the Bank, and in general these following seem certain.

Not possi-  
ble.

—If the debts to a Bank are permanent, it cannot subsist; being able to lend to one only, as about to be relieved by another. Its accommodations are never desired but in the view of advantage;—they bear no proportion (generally speaking,) to the property over which they are yielded,—and will hardly be retained inactive, because they are paid for.—Holding the total amount of their currency an actual debt, it bears no proportion to the property that gives it its value, and has been contracted for purposes of advantage. *It is necessary,*—for unless in action, it cannot exist. *It is not a debt to its extent,*—for there must be real currency remaining, to relieve it in every necessary proportion, and a certainty of a reserve.

May exceed what were attainable in other currency.

But not what were desirable.

That the circulation of a Bank, may still exceed what it had been possible for the country to have attained in money, is easily conceivable; because, supposing any country to have persisted in exhausting itself, in quest of any such commodity, being admitted into circulation, the moment it became redundant, it had escaped in torrents, after having been collected drop by drop. But it is evident, that the circulation of a Bank, can never exceed the amount in money, *that had been desirable*, or that had given us a chance for the same advancement. It can never therefore be less valuable, than the same amount in actual currency; nay, I have said that the banker's currency has faculties of sustaining itself, which real currency has not, even supposing it under every change of circumstances to remain with us; for when not immediately wanted, it retires, and is not depreciated; and while other currency must be repurchased on a prospect of advantage, like every other commodity about to be in request, at an advance; this is reproduced as it had never been retired.

What then is the cause, of the so violent depreciation of the part of property circulating for the purchase of immediate produce? It may be answered, its abundance; which though not more than is wanted, and indispensable, is yet more than can before have been. The accumulation of the ages that are past, is what we now count our property, and is in itself or accessories, our power of purchase. In proportion as

it may be abundant, or the contrary, we compared with those who have gone before us, or ages succeeding compared with us, will appear to pay dear, or the contrary, for our enjoyments; (the language may be, extravagant or prudent;) for the price of enjoyments will always be regulated by what may exist to give for them; and we, or a Roman in the last ages of that empire, can be no more extravagant than our ancestors, though giving hundreds, where they only gave units, if we have not divested ourselves of a greater proportion of our property; yet we will seem extravagant. But our burdens at present are immense, and can only be discharged by bearing on one another.

We should have now only to think of the security of the currency, which has otherwise seemed so respectable.

The security of a banker's promise, resides rather in the character of the person emitting it, than in any ostensible personal property; for it is not upon their private means that they presume for implement, and it would be madness to receive their obligations upon any such presumption. These, however extensive, can, (if they would profit by the use of them,) be only a collateral and very partial security; and they should be regarded by the public, rather as they are likely to be safe avouchers of the capacity of others, than as they are by any means likely to be responsible in themselves. In practice, as they can issue no obligation, for which they do not receive an equivalent, so, if this equiva-

Its security.

lent is in private obligations, they have regularly *no* object, but that they should be certain these obligations are in every probability infallibly equivalent. How far under any circumstances of competition, they may either, from considerations of interest or rivalry, or that intrepidity which an acquaintance with danger is calculated to induce, lose sight of that caution, which next to the regular discernment really constitutes their merit, we may all in some measure conceive, but with no approach to certainty express, and it is not enough that themselves must be of the sufferers; a steady anxiety and discernment in their deliberations, and guided by just views of public, as well as of private interest, are at least what constitutes their merit; and existing in strength, render them safe as they may be useful; for through them the country possesses their securities; and to doubt them, is only to doubt their connections.

Particular  
exception,  
in the Bank  
of England.

Before concluding with those sentiments of approbation, which under the considerations suggested, it is believed the system endeavoured in some measure to be delineated, will appear to deserve, it is necessary to advert to a single circumstance in our situation, as peculiar, as it is hoped, it may be temporary. It is the tendency to deterioration in a particular part of our paper currency.

This arises from the circumstance of having identified with property, what is only a symbol of property; of having rendered unexchangeable,

what is only valuable, as it is exchangeable; illimitable, and universally accessible, what should be limited to just occasions, and to have the power that should be desired, must be to that extent an object. We have thus rendered a probable shadow of property, what before was property in present, because it could be immediately converted into property; and a system which from its powers of anticipation was convenient, and from the limitation of these powers was safe; from giving the advantages of a transfer of property without the act, encouraged the accumulation of property, and preserved it when fixed; that gave every thing a deliberate value, by providing against unnecessary sacrifices, but providing, but for a time, rendered nothing inaccessible; that did all this, not only on the most rational principles, but at the least conceivable expence, and from altogether, was desirable; we have rendered this system from its unlimited faculties of anticipation, an instrument of public extravagance, and private ruin; and which from encouraging industry to hope that a few hardly earned enjoyments might be preserved, till by exertion they might be cleared, encourages idleness to speculate on extorted emolument; emolument which it has never deserved, and cannot without injury to the state receive; and extorted from the hands that have even supplied the object, and will be the last to share in any result like this.

Contrasted  
with the re-  
gular sys-  
tem.

This peculiar operation of what has been termed the national establishment, is so distinct from those of the regular and more private banker, that it is hardly necessary to enter into a detail. The private banker being liable for his debts in real property, they can only be proportioned to his power of extinguishing them. Being only able to accommodate in succession, by having the accommodation afforded successively returned to him, and his gain residing in the revolution of his capital,—his particular accommodations can neither be extensive nor permanent; there is no length of anticipation, nor permanence of speculation; the emolument expected, must soon be realized, the commodities withheld, soon resigned to the consumer; they are, as they are termed, accommodations merely, and filling the market, and of course increasing the anxiety to sell, are, as I have said, rather likely to give a cheap abundance, than the contrary.

The present  
system of  
the Bank of  
England.

It is while thus employed, that the Banks are useful; it is while thus restricted, that they have been determined to be safe.—While they are instrumental in assisting to activity and admitting to a share of the gain,—for they thus give abundance, and unavoidably choice of produce; and allowing more to be advantageously active, diffuse so much farther the results: While restricted to a circulation just equal to the purposes of real business,—for then it will be of value, and have substantial employment.

To persons acquainted only with (I think it may fairly be said,) better systems, the system of the Bank of England will be scarce conceivable. As they are not liable for their debts, in general currency, they can only change its form by a credit in their books; and as their credits bring no interest, they would not of choice be numerous. By the custom of England, however, every merchant must have such deposits against the occasions of business; it is of no moment to him in what form that deposit exists, if being drawn into use, it can answer his purposes; and the debtors to the Bank in making payments in its currency, are relieved of the interest, which is all they can desire; and thus the business is conducted.

Suppose the property upon the security of which the debts to the Bank have been allowed, to be fully equal, in any regular event, to the obligations issued upon them; and, like the bullion in the Bank of Holland, ready to be drawn out upon just occasion; then the difference between these systems is, that Holland merely saved the *wear* of its property, but had all this weight in value as a charge upon its circulation; while England enjoys its property, and supports its circulation on the security of it. If there is real currency sufficient to convert it to any desirable extent, this is equally convenient; it is safe by the fact supposed, and of the two systems is certainly the most perfect. But not being liable for the liquidation of its debts, the Bank of England can have no

Still not  
faulty in  
the concep-  
tion,

but in the  
detail.



check upon their extent; the country has no security that they do not exceed to any extent the property impledged for them; and as they can be granted with such perfect security to the Bank, and it is their interest that they should be extensive; supposing them to act with even the best intentions, when the ingenuity of want and adventure are considered, the conclusion, even from this consideration, is unavoidably against this system.

But here none of the restrictions unavoidable under the regular system, have the least application.

They have no gold or silver to retain in their coffers; that part of property is relieved entirely; and the moment it has found itself so little valuable, has no doubt disappeared.

Being liable for these, (and had they been so many particular pebbles, as pieces of metal, it had been the same,) was the cause of the other restrictions, and made it impossible to bring into circulation, a value in property, beyond what the business of the country indispensably required; because if not required in circulation, their obligations, which are a conditional liquidation of property, returned upon them, to be reconverted into property. But now the Bank may receive in pledge the whole property of the country, for its obligations can but be returned upon it, and a credit, that is, a power of again using them, supplied. There is certainly little comfort in this, however we may consider it—as the whole property of the coun-

Effects with  
ourselves.

try immediately at its mercy; or the accumulation of ages let loose, to purchase the produce of a year. Checks are no doubt conceivable upon this, but what equal to the Bank's existence.

The effects of this system, as we are a part of that more extended community, the world, as we may have occasion to be connected with it in business, though not perhaps unmixed, seem equally decisive.

As we are  
connected  
with other  
nations.

One of its most decisive effects is, to relieve in a great measure, the general currency, or gold and silver. The relative value of the commodities of different countries, is fixed by the quantity which, for its exchangeable commodities, the one may have of the other. The general circulating medium, is a proportion of property embodied in such a manner, as to be acceptable over the commercial world; as an article of commerce therefore, it is, (from its general acceptance,) superiorly valuable; and allowing it to escape us, we lose sight of a valuable commodity.

No doubt we have had our gain by this, and this is the mixture of consequences I have been hinting at; for as it is peculiar to the banker's currency, to come into action exactly as wanted; while supplied *but as it is wanted*, the currency it augments in power, is at the same time sustained in value. This currency being received among ourselves, the more general, passed, no doubt, to strangers. Any country in such circumstances, may, for a time, have



more command of foreign commodities, than foreigners can have of theirs; because an addition has been made to their power of purchase. A faculty of purchase being more accessible among them, bears *less value relatively to their other property*, by the extent of this addition, than it will bear with foreigners opposed to *theirs*.—Gold and silver are of more value with the foreigner, we therefore receive his commodity for less; an equivalent being accessible, they are of less value with us, our commodity must therefore be received for more. An equilibrium must soon exist, however, on the basis of our extended circulation. As money becomes more plentiful with them, the commodities it is to circulate, rise in value as opposed to altogether, and of course, to the part in our hands to purchase them. Supposing the equilibrium restored, the countries in which this exists, go to market upon their former terms; and the currency, by its augmentation, is only to that extent deteriorated, as opposed to the articles it gives the general power of purchasing. But if the addition made to our circulation has been such, as being only acceptable among ourselves, has remained among ourselves; and being universally acceptable among ourselves, has permitted our other powers of purchase to escape us; then, so far as strangers are concerned, it has left us *without power*, beyond what may reside in the direct exchange of produce; and so far as money may be desirable or indispensable, entirely at the mercy of those to whom it has passed, and both curren-

cy and commodities must be deteriorated with us, as the article now sought may be enhanced.

Had this remainder of circulation, (which we are now supposing in our hands,) been of equal *general power*, with the part expended; in other words, had it been in our power to have increased the divisibility, and nominal power of the general currency as it existed in our hands, to the extent of the *practical* addition we have contrived to make to it, the only effect had been a general deterioration, by increase, to this extent; but leaving us a power of re-absorption to the extent of the portion yet in our hands. Our government paper, however, has remained distinct, and being only acceptable among ourselves, has remained among ourselves. Equal only for domestic purposes, it must, as opposed to real currency, be inferior, according to our external occasions; or our domestic, where the real currency may be more desirable. We must pay to our neighbours, the same augmented value for the currency we have lost, and desire again,\* as we have already received by the operation of the increase of the proportion in our hands, when this increase took place. If our paper is withdrawn, the circulation is as it was; if not, it is deteriorated by the extent we may find it possible to keep in action, with the currency it will be ever losing us, for ever to recover.

By the regular system, we should not have lost one guinea, that could not be spared; we

\* If any we should desire, and this will be very anxiously considered.

must have retained a surplus; for though efficient as currency, it is never identified with it, and derives its power from being supported by it. If we could have had no immediate gain in parting with it, we could have been subjected to no loss in recovering it. By the other, we have gained perhaps at parting with it; it seems evident we must pay for recovering it.

To conclude,—the one is an actual *diluting* of the currency; with this peculiar, that the original will ever desert us, and the alloy alone remain. The other is a regular temporary liquidation of property, in other words, a regular coinage; with this peculiar to it, that, withdrawing infallibly the moment it can be spared, it neither deteriorates the currency while it exists, nor exalts it, by permitting it to escape from us.

The currency of the Bank of England, being by law identified with our coinage, there is no relief from it, where relief were desirable, but at any discount that may be demanded. It deteriorates the currency, first, (regularly perhaps) as it augments it; but more, as it every way encourages that augmentation; it may in many cases, subject to a farther and palpable loss. The private banker *regularly* is liable for actual currency; his obligation is not *itself a less eligible part* of currency, but a convertible and actual representative of the most eligible. Being in itself, or its original substance fit for every purpose, it cannot throw its holder, beneath the holder of actual currency. It has all the con-

veniencies, and may have the security of the other, it has none of its present inconveniencies.

The conclusion upon the whole, should be extremely obvious."

I HAVE finished this transcript, with an intrepidity that has set all qualms of propriety at defiance. Something preliminary had been indispensable, this is a regular condensation of what has occurred upon this subject; its advantages as a detail upon a subject scarce yet in agitation, have already been hinted at. It should now be my endeavour to open and apply it, as seems required by our present circumstances. In the mean time, in regard to the *national currency*—I have said that a check were requisite, and a check will be suggested; that we have lost our gold and silver, and are in no situation to regain them; that the currency remaining, is not, in particular circumstances, equal to that we have lost; and that we could not have lost it, by the regular system.

In remarking upon these, I may have approached to an embodying of the general feeling. It has already been observed, that we must have lost our original currency with profit, it will appear that we should not again desire it; that the present or a similar currency were equal to *every* purpose of a *general* nature, and so alone entitled to the general favour; and consequently, that the system that

prevented arriving at these, being approved, must have been approved, without having been examined.

These incidentally—the following may be more general—We think we have lost a currency that is indispensable—We think, that, by the system in general, that, among other things has lost this, all circulation is sunk in value, and that this should be corrected; and in correction we have thought of reverting to our actual currency.

I will first give the question what appears to me its weight, in the *consequences* of the change we meditate; consider our situation, or the motives that exist for that change; or incidentally this and the two systems in general.

Recapitulation,

Supposing our circulation sunk in value then, as ourselves are concerned, this is our situation—we give more of this circulation for a less quantity of produce. Such as have retired from action will find the circulation they can command, depressed in power, and the number of the comforts they can command diminished; the active will only be paying away on the one hand, what they will take care to be receiving on the other. As a nation, our inquiry should be, do we go to market with our neighbours, commodity for commodity? that is the standard for a trading nation. For this standard is not (now at least,) to be fixed by the metals we have used for circulating property, these are valuable, or the contrary, as we may make them so: articles of necessity, of comfort, of pleasure,

these, have each an inherent and determinable value; being laid against each other, are we on equal terms? If we are, in whatever manner the production may be effected, as a trading nation, we are as we ought to be.

The effect of raising the value of any one commodity is obvious. All other property that may be given in exchange for it, is sunk in value, in proportion as that sought is raised. *Money* is a commodity which we have determined to make in request, we have determined to sink the value of our other property in proportion.

Effect of a change.

Making any one commodity a general instrument of traffic has this attending it; that nations in the free and general use of it, and supposing that use to be perpetual, can ultimately, (from it at least,) neither gain nor lose; for if a guinea can to-day only purchase fifteen shillings' worth of property in Britain, it is because they, or a substitute, (which in this case were the same,) abound in Britain; and it will most likely purchase seven and twenty shillings' worth in France; or a quantity of produce that in Britain from the depression of the circulation in its abundance, and the consequent exaltation of property, would cost seven and twenty shillings;\* laying the commodities thus

General position.

\* This expression may not be correct in form,—but in substance, I think is evidently so, and may be intelligible. It is taking the extremes. I have assigned myself, of exaltation and depression in the relative value of the substances—the shillings may be considered representatives of parts of property, it will then be 15 parts—27 parts, &c.

purchased against each other, we are the gainers; and it is this abundance of the power of purchase, and our ease in regard to it in consequence, that constitutes in every sense, the favour of exchange. But the original value of our guinea—was a guinea—we paid that in property for it, or six parts more than it now circulates among ourselves: In parting with it for seven-and-twenty shillings, or parts of property, our gain is only six, and when by the exhaustion of its property, or the abundance of the substance purchasing, *compared with their occasions for it*, the guinea shall be in France of the same value as with us at the moment of parting with it—or fifteen shillings—it is most likely, that from its scarcity, and the re-accumulation of property in Britain, its value shall be with us in turn at seven and twenty shillings; and it is the same in effect with the fluctuation of the sea between us, individuals may have gone to wealth on the tide as it retired and flowed, but the gain and loss have been alternate to the countries.

In ordinary circumstances, the fluctuation cannot be so marked, but making a passion of any one commodity, it must be so; and should, in the mean time, the futility of that commodity to any extent be discovered by those from whom it has been purchased, and in the faith that it must retain its value, at an extravagance, the country purchasing, has given, most probably,

much valuable property, for a commodity which is of no value, but as it may be parted with again; and which in these circumstances, its possessors must relinquish on such terms as can be allowed to them.

As Britain stands, she is, as I have imagined, the gainer—for we have sold our currency—contriving to go on without it, we so long retain possession of our advantage—and our neighbours may value themselves on their situation—but their guinea does no more than a bank note with us; and it depends upon us whether they are ever, as far as we are concerned, to be of more consequence. It is the materials of an old establishment which they have bought, in the impression that we must want them again. If we shall resolve that they are not indispensable, they must be so much sunk in value to their possessors, and we may have them for other purposes at the price we may choose to pay for them. This seems our present situation.

If our return has not been substantial, it is a circumstance that may be regretted; but to buy this circulation back, that we might be wiser in parting with it again, would be extremely expensive; and others finding themselves in our present situation might be wiser, than, in changing it, we would be. Suppose that change resolved upon, what the value of gold and silver would be, reverted to, to any extent, as a currency, it is needless to conjecture; any adventurer, however, must find it his interest to give in quest of them, any quantity of our most

Our situation at present,

and under a change.

valuable commodities, if on returning, he might have still a larger quantity in return, and for the same purposes. As the trade would be sure, the competition to supply them could only be exceeded by the determination to have their price; the waste of property were of course enormous.

Nor would this be all—while a confidence in our rage continued, the coin that had been purchased at an enormity to-day, might be withdrawn with safety in the assurance of an increased enormity to-morrow. The trade could only end in our regaining our senses at the expence of our property—for it would end in the scarcity of the one, teaching us the value of the other—and this we should perhaps endeavour to anticipate.

This will be our next consideration—but, in the mean time, let us pause on what has passed. Making a passion of any commodity in the hands of another, is indefinitely to exalt it, and to sink in value whatever we may have to give for it.—This currency is not in our hands, it is again as in its origin, a foreign commodity to us. On this account alone, we should endeavour if possible, to dispense with it; but, while we examine it in its operation, we shall observe peculiarities yet more ruinous; and, that they may be regarded with the proper feeling, we should enquire how far it is necessary we should be subjected to them.

Gold and silver.

In all exchanges, it is very clear, that property should be given for property; or, if on one side, the equivalent should not be imme-

diately desired, an assurance as to future implement that shall be equally satisfactory. In the infancy of this substance, exchanges nearly direct must have been indispensable; an extension of the sphere of traffic introduced a general medium; ours is gold and silver.

Gold and silver being universally exchangeable, are thus a species of property most likely to be of use.—They can be received at any moment when the greatest quantity of them may seem attainable for the property we are disposed to part with, because they can be retained with little trouble, till an opportunity of gratifying ourselves by the purchase of some more desirable article shall occur. They are easy to be transported—they are easy to be secured—they are representatives to their extent, of any species of enjoyment—and may be enjoyed wherever that may be most agreeable—they are thus of value.

While in our possession unused however, they are only an useless object of solicitude; could any mode be devised, not only of rendering them safe without any care, but useful upon the same terms, it must doubtless seem an advantage. It follows, that to have a right to these, and their returns is agreeable, but as a property in possession they are useless.

But being useless to one, while retained in hand, they must be equally so to another. It is therefore implied in lending them, that they are to be put to their common use; and that the security of the owner is to exist in the pro-

perty received in exchange for them by the person using them, and which the character of that person gives assurance, will always be equivalent. It is of no moment to the lender, in what form he receives the return that has been agreed upon, it is enough, that it can be turned into the enjoyments he had proposed from it. Should he desire to repossess his loan, his indifference must be the same, while the substitute for what he gave continues to possess the same capacities; and supposing it to do this, while he remains a member of any particular community, as a medium of exchange also, money is for this community proved useless. Having occasion to leave this community however, or to be concerned in business with any in that prospect, money would be of use; and for *this*, and to the necessary extent, it should exist in the coffers of a nation.

Should this seem overcharged, what man would retain in his possession, that which only gives trouble while retained; or at least, being relinquished with equal security, is a source of undoubted emolument? none now does, nor can rationally quarrel with the form of the return, unless upon the principles that have been mentioned.—Money is therefore only partially necessary. Now, money has this peculiar, that being acquired, it is yet no *immediate* possession; and but as it is converted into other substances is useless; in other words, in the form of coin, it is a mere instrument of exchange, and therefore, should be perpetually in circulation.—

As an instrument of exchange, it has already been seen, it has no power of expansion or the contrary, and occasions are ever varying; it must at times redound, at others be unequal to its purposes.

As individuals therefore, our property were rendered insecure by it, for it is the instrument by which that property must be exchanged; and its value ever fluctuating, and the causes neither to be foreseen nor controuled, we can neither purchase it with safety, nor retain it when purchased.

As a nation, the moment it redounds, it leaves us, and is to be regained on the first occasion; but it left us in circumstances of disadvantage, it is to be regained in a moment of expectation; it leaves us with loss, it is to be regained by a sacrifice, and that to be continually so lost and regained. To these, the original expence, proportioned exactly to our deserts of an opposite nature, for it is proportioned to our industry, and of course occasion for it; the necessity of having so much exchangeable property to purchase it—depreciated in proportion to the spirit with which it is produced; the necessity of exchanging that property, and so holding it perpetually in circulation; after these, the expence of so much property locked up from use, and consuming in the shape of counters, need scarce be mentioned; though they are of themselves sufficient certainly, to excite some reflections on their utility.

The following positions may now seem authorised; that money being obtained, and at an expence proportioned to our spirit and faculties, having yet no immediate value, as a property merely, is most useless; from that circumstance is wasteful; and that the folly individual and national must be extreme, that could for a moment desire it under that appearance.

As a medium of exchange, and instrument of exertion, it is a mere business establishment; to desire it extensive, should at all events seem unnatural; But it is expensive and exhausting in its origin and operations; every reduction possible should be desired of course. In the infancy of traffic, or in times of trouble, it was safe and portable, and then it was introduced; being universally receivable, it is yet a convenient commodity, and so far should be continued; beyond this to desire it, were to desire our own impoverishment.

Without entering farther into the system most desirable, to reduce without annihilating, should seem our object as to that which has been considered; we might think a little of that by which it has been relieved.—This is, instead of an actual transferring of property, the embodying by means of public sponsors, the credit of individuals, arising from their property and their capacity of using it; or rendering an accredited and convertible symbol of property, equally a ground of confidence with the property itself. We have given this the name of Banking, from the channel through

Circulation  
of the  
banker.

which it has descended to us; it may be considered as it exists and is understood.

If the circulation the banker affords then, is safe, as unless on an actual invasion of the property upon which it is supported, it is capable of being rendered, these should seem its advantages. Instead of compelling to the production of such property as may afford us a general power of activity, this is obtainable at once upon any species of property; and enables to move directly to our purpose, should that purpose seem to justify the hazard.

It leaves the property in the hands of the original owner—if an article of emolument or comfort, to be enjoyed at once in its own character, and as an instrument of farther industry; if a labour in progress, renders it the instrument of its own perfecting; if a source of emolument, the means of its own attainment; or at least, holding no property fixed in itself, the country enjoys its property *in full*; and by the mere testimony of its existence is assisted to farther acquisitions.

It preserves that property when acquired; first, by allowing it very immediately to be fixed, and preserving it so, while that is possible; next, from its own qualities as a currency; for, being a conditional liquidation of property that is every moment ready to be fixed, while desirable as a circulation, it may be obtained to any justifiable extent, yet retires the moment it may be unnecessary; it is neither capable of being enhanced by scarcity, nor depressed by



a redundance; nor, consequently, can take property from its possessor at an underprice to-day, and hurt him by the possession of itself to-morrow.

Were a depression supposable, being a merely domestic instrument, it can never in its depression wander to a rival, or subject to the loss of an enhanced return.

Lastly, it is unexpensive, and to the public it is nothing. It is independent, and brings all countries on a level, except as their products in general, may be more or less substantial or desirable. I have shewn, that no more is likely to be in circulation than is necessary, because, there is a premium for returning it to its source; in Scotland, the interest that is to be received, and universally, the interest from which the holder is to be relieved; nor is there a good effect of which it is not equally capable with money, nor a bad of which money is not equally capable with it; while the difficulty of obtaining money, and its eternal tendency to escape, had for ever prevented either the same property being acquired by it, enjoyed when acquired, or circulated with safety. However this system may have been invented therefore, it is now only to be admired. It may now be allowed, that we have lost nothing that is indispensable, nor any thing that should be recalled; it may therefore be of less importance to urge the consequences of such an attempt.

Two points of some consequence seem determined then—that a circulation of credit is from every circumstance desirable if capable of being rendered equally perfect; and that gold and silver, never profitable as a circulation, were then neither indispensable nor desirable, and should thenceforth exist in the country only for particular purposes.

Conclusions.

The mention of this particularity of purpose, should point at the character in which they should exist; for the currency is a national establishment, for its private and general use; the purposes of the nation can be served by a circulation of the cheapest nature, but gold and silver are necessary for the purposes of individuals;—should the nation be chargeable with what were only profitable to individuals? Upon this principle alone, gold and silver should cease to form a part of our currency.—But they are necessary as a check upon its extent. We may see how far they are likely to be desirably effectual; in whatever character they may be retained at least, being retained at all, they subject to the same effects, as if retained alone—and it is from this circumstance, gold and silver as a coin and a commodity, have an intrinsic and a representative value; their relative values in their different characters is determined by their relative abundance or scarcity; abounding as a commodity they cannot be used as a coin, and the country can never be benefited by this circumstance; but the moment, that as parts of an abundant circulation, they have de-

clined beneath their value in general, or as a commodity, they are ready to be used as a commodity, and will be used; the reduction as a currency will continue until as a coin and a commodity they are on equal terms; and whether used as a merchandise, or directly manufactured, the effect is the same; what the country united has purchased, has been turned to the profit of individuals. If gold and silver are our only currency, every time they are rendered abundant, it is at the expence of the nation, and every time that abundance is reduced, it is to the emolument of individuals; our other circulation is rendered abundant without expence to any, but every time it so abounds as that these may be profitably deducted from it, it is at the expence of our public friends for the benefit of particular individuals. Last—Gold and silver as parts of the circulation, being always exigible, (if exigible at all) at their value as parts of it, but only to be obtained from other countries at their intrinsic value, their value as a currency can never be allowed to fall beneath their intrinsic value; that is, our circulation, while these form a part of it, must ever be of the same value with that of other countries.

I am clearly of opinion that we should be independent in this, but my reasons remain to be given. In the mean time, the circulation of the country may be very far from exceeding her necessities, when it has appeared expedient for her bankers, under this correction, to pause; the circulation immediately ascends, and is to

be augmented by the proportion of that of other countries that is necessary to restore its level—gold and silver are so far reverted to; it is at the national expence, for the property has been so far depreciated that has purchased them while thus an object; and the first moment that this shall be profitable, they will be withdrawn by individuals.

I have implied these from the beginning, and desired them obviated, but we may have been divided as to this desire; for at least the check they afford has been considered valuable. But I have implied particularly, that, under existing circumstances, to endeavour to restore the operation of this check, were not only reducing us to our actual currency, but under circumstances the most disadvantageous; and as the expediency of avoiding this may be more obvious, circumstances may do more for us than we would do for ourselves. They are evidently at present less valuable as parts of our circulation than as a commodity; without at present enquiring whether they have risen as a commodity, or our circulation has descended; or whether it is desirable that this distinction should cease, and particularly by the raising of the value of the currency; as this seems the wish, it may have some attention.

Should it seem necessary then, to submit to any of the consequences of a *material* disturbance of the circulation, these should perhaps be in view. The circulation being raised, is a virtual annulling, at once, of all contracts to be

Enhancement of the currency.

fulfilled in currency, or a robbing of the person so involved;—a visitation the most ruinous on the possessors of property, and an enriching infallible of the casual possessors of currency.

Second, Currency can only be enhanced in value by being diminished in quantity; and it has never before been so abundant as it is now. What we have been, and (under all circumstances) are, therefore, should be an unanswerable and perhaps very satisfying appeal.

I have presented the operation of this enhancement, in a national light, in so many forms, that I almost hesitate to repeat it, but it may be necessary; and it may caution us equally in regard to the *measure* and the *mode*. By raising the currency of any country above that of its neighbours, we prepare to purchase theirs (and theirs is every guinea not immediately in our possession,) *at this augmented price*, till both are of equal value. What are the consequences?

Is there currency enough in Europe to give us our quantity, we shall gain nothing by this, for this circulation is as abundant as the other had been; and, if our neighbours are wise enough, they have seen the advantages of such an opening. But we have only gone to the extent of our exchangeable property, and the circulation is still of the desirable value?—Granted. But while that circulation is in the least degree of higher value here, or commands one particle of property here beyond what it does in other countries, that property will, as produced, be transported to these other countries, that the

more valuable commodity their currency may be obtained. I have said, that the trade can only end by the scarcity of the one repressing the purchase of the other; circulation has certainly been depreciated; at least, property directly enhanced; in a domestic light we have gained nothing perhaps, as a nation we have lost our property; nor may this be all, for it is likely we are about to throw away our currency exactly as we had thrown away our commodities; or, should that currency be in the mean time condensed into articles of use, it is at all events, purchasing in the shape of currency, what should have been desired in its original state; and, I repeat it, impoverishing the nation for the retainers of those commodities.

The *measure* of our restriction therefore, cannot be great, without among other things defeating its end. In other words, our circulation must never be raised *above* that of other countries, or it will be done, not only without benefit, but with ruin. In regard to the *mode* of enhancing our circulation, I shall only examine that we have proposed to adopt; or opening the Bank of England for payments in immediate currency.

Opening  
the Bank of  
England.

This is unavoidably reverting to a more extensive actual currency, and submitting necessarily to this extent, to the charges of acquiring and retaining it, I think as they have been stated. But in our present circumstances, unless this shall be accomplished in an inferior

coin, it is supplying the work shops or the exporter, with gold and silver at a cheaper rate, till the bullion from this addition to it, shall be of the standard of the currency. From the peculiar situation of the Bank of England, it is throwing the charge of this supply entirely upon that establishment; or immediately, or at no distant period, shutting their doors as a Bank; and this is reducing us directly to that currency, and that only, and subjecting to every consequence that has so often been here suggested.

How far the country must be thrown back by this; what number of years accumulation of her property must be wasted, and what lost ere produced, in our inability to reap it, it is unnecessary to anticipate: The internal disorganization may be conceivable, but is scarce worthy our attention after these.

In an earlier stage of this letter, these observations might have been opened with more anxiety, but I am now only anxious to proceed. The circumstance of the Bank of England, having come into the place of a national establishment, and so by itself supplying the country with currency, will for ever prevent its attempting this, while the attempt shall be an object; it will be an object while our circulation is continued full, for so long it will have a tendency to become inferior; it will be continued *both*, if we shall end with judgment, and so for ever, prevent this system being recurred to: For that Bank being solely responsible here, it is scarce possible it should even meditate the

incumbency; the consequences of its declining its station are too obvious to allow us to apprehend that it should ever be necessary, and no man in his senses, will persist in requiring a guinea while he finds it no more valuable in purchasing, than a bank note and a shilling had been, which will ever be the reasoning, in general circumstances.

Having gone so far, I might suggest at once, what, on a slight consideration at least, should seem the currency most perfect; and we may then see how near we are to it, or expediently may approach it.

Suggestion  
of a currency  
more desirable.

If the end of currency be to circulate property merely, then that currency should be something originally of the easiest access to the country, unexpensive in its nature, and, if the country can receive it with confidence, it should seem nearly perfect.

That confidence, must arise from the certainty, that bearing to be a symbol of property it is truly such; and not only that property has been given for it, but that such may be received again; that is, that it is a true evidence of transfer, and not a forgery, and that the character of the issuer gives assurance it is supported by value. This last expression marks its difference from coin, for coin is value in itself, because it is universally receivable; and the difference between these, were, that this could only be ultimately received where issued. *There* it would be convertible, as coin is with every one having the property desired to give

for it; the assurance of this final value would give it intermediate currency: and being delivered at its source, it would have to be converted into a debt there, or claim for a like quantity of the same currency again, and through it of the property it can command; or to be immediately converted into the property upon which it was originally issued.

This is the process of a banker's promise; and as the necessary conversion may, if the issuer chooses, be effected in his personal property, instead of reverting to that of the original debtor, this last is the general proceeding of the banker, and his claim on his debtor remains against future exigencies. But in ordinary, the banker should liquidate his obligations in money, and money is banished from the system we have been supposing.—Why is money required? If to lie dormant with the possessor, it might as well be in the shape of a debt upon this establishment; if to give right to any species of property, these obligations are equally powerful with money, and they are thus every moment convertible; if to be transported to strangers only then, or for particular purposes, would this currency be unmeet?

I have said that this unmeetness should not be provided against by *the country*; it could only be thought of in gold and silver, and the result of this, through whatever channel it might be attempted, were loading the country with that system; or subjecting her to the expence of a perpetual supply of gold and silver,

for the benefit of whoever might choose to make a penny by counteracting her. In the mean time, this currency comes identified, with that of the Bank of England in its present state; and they must go together in what may remain to be said of them.

This currency could not be exported; it is one of the objections to that of the Bank of England. The consequence is, that when no use can be found for it at home, it must be withdrawn from circulation merely, while if in metal, it had gone wherever else it had been most useful, carrying with it the property that had been embodied in it. But it is yet unlimited, but by the discretion of the issuers, this discretion being exercised on the apparent exigencies of the society; and this is the last and principal objection to the currency of the Bank of England. Being obliged to retire the redundancy of their circulation in gold and silver, has been proposed; if our circulation must ever be of the standard of other nations it is a remedy; but both that, and this regulator, may I think be shewn, not only to be most expensive, but from every principle of reason and expedience, to be, if possible, avoided. Issuing gold and silver at least, at a fixed and arbitrary value as a currency, while the real value like that of every other commodity, must ever be fluctuating, seems on every principle to be declined; for suppose them enhanced as a commodity, the effect will be the same as if depreciated as a currency; in

either case, it will not be necessary to the circulation's being converted into them that it should redound; if to be exchanged for a desirable commodity, it were an object to have it, that it might be so exchanged; and a trade would be made of only the instrument of trade. And it is subjecting the country, directly to the operation of the particular currency, we have all along seen cause to shrink from; in an external light, though through the Bank, to the extent that may at once be brought into circulation, and internally, it is subjecting her to its effects entire: For, in the first case, the gold and silver issued, may all fall into the hands of those, who have no connection with the Bank, nor desire to have it, and from whom it will not return to her, if it may be otherwise more profitably disposed; and the internal circulation has been cramped as if entirely in coin, and either industry has been embarrassed, or another instrument found. In being unlimited then, this currency is imperfect, and with only the remedy that has been proposed disproved: What is the remedy to be adopted?

In regard to real currency, we should inquire, what is the amount that will be equal to our occasions? The amount that were necessary in that, should be allowed in this.

But coin on becoming enhanced, can be augmented by external purchase? A power must therefore exist for the occasional augmentation of this.

The result is, that a currency should be provided, issuable exactly as coin; that is, receivable over the country, unexchangeable but in itself, and limited in its quantity, and this is easy; and that a power should exist for adjusting it to circumstances; but where this power should reside, it is not for a casual observer to determine.

To perfect this idea as seems dictated by its security. present circumstances, we have only now to think what should give the currency provided security. The capital of Banks in general, is considered a collateral security of such extent, as, with the title they acquire to general property by the lending their obligations, to form in ordinary circumstances, a finally unexceptionable ground of confidence. The security here is limited, the trade unlimited, yet the country is satisfied; because, while they trade but to the proper extent, the property upon which their circulation proceeds, that is, the property of those to whom their obligations are originally lent, were of itself sufficient; and there is a liability every moment applicable, that renders any thing beyond this extent impossible. And this check is retained for these private banks, and they are liable for a regular retirement of their currency; yet they are defended against any abuse of it, by having a national symbol of the same nature with their own, that at once reduces the currency to its just bounds, and assures them of their situation, yet protects them against supplying a



commodity which, while an object to require it, they could not without ruin supply. To obtain a national currency, however, that shall be cheap in itself, and rational in its operation, that currency must have an independent standard, and be unexchangeable, but upon regular principles; and its security, yet cheapness may be provided for with ease; for here the trade is limited, (in the limitation of the circulation,) the security once established, must be permanent. One fifth then being supported on the soil of the country directly, and one fifth on gold and silver, the rest might be trusted perhaps, to the property ever giving in security; a circulation of fifty millions, might thus be supplied at the expence of twenty, and ten of these productive, as if no weight existed on them; or ground it entirely on property that may be fixed and yet productive, and the currency is cheap, as if entirely unsupported.

Issuing,

For the issuing of this currency—It must be confined to a particular source, or it cannot be generally appretiable, nor of course receivable. The supplying a national currency, were a privilege too great for individuals,—the privileges of the Bank of England therefore, exceed what can be merited.

and management.

But in no hands can it be so safe, nor managed with such anxiety, as where the whole fortune of the manager, must depend on his administration—Compensation must be made then, for the privileges afforded, and all excluded from the privilege, will have part in the compensation.

It appears then so far that in this as in many things most valuable, we have been driven step by step to the situation which we should really have most desired. I have suggested some changes, under which it appears, we might determine with advantage on rendering our situation permanent; another only seems wanting to the completing my present views.

There is yet gold and silver in the country, it is at our command without purchase, and has therefore only to be managed as should seem desirable. Some part of this must be retained for our entirely subordinate occasions; and that there might be no temptation to rendering this chargeable, as their value does not reside in themselves, but in what they may ultimately be exchanged for, so far as for this purpose, they might be of an inferior description. The rest may be in coin, for their value is thus ascertained; they might then be desirable in various circumstances and an occasional command of them a national advantage. But though the advantage, generally considered, may be national, as it will never be *universal*, it can only be *individual*, and the nation should not be burdened with an establishment for individual accommodation; it were enough that by her appointment, the accommodation should exist, to be paid for by individuals in proportion to their occasions. The Bank is the place where the accommodation should exist; for its place is known, the terms will be observed, and it is there that the symbols that are to be thus converted, are re-

Applied to present circumstances



ceivable. The Bank therefore might be chargeable with the supply of this accommodation for regular purposes; but not in coins, *as coins*, unless that shall appear not impoverishing; but as a commodity, and to their weight and standard, at the regular price at which they might be thus attainable, and with such addition as would give them form. It would follow, that when coin might be dearer as coin, than as a commodity, it might be issued without remark, for it would bear its value on being returned; when cheaper than as a commodity it would be issued on ~~as~~ a premium, for such the difference to be paid would be; and in exacting this difference would consist our safety. Should the country refuse these casualties to the Bank, on agreeing to become chargeable with the supply of the coin, it would fall to be entitled to whatever might accrue, and the Bank would be chargeable with the agency only.

Even by this, unprofitable labour might be incurred, but it is ascertained, that it is an optional accommodation, and the occasions and terms of affording it to be determined on; it will seldom be required to great extent, if to be easily obtained in other quarters; and being demanded here, it were almost irrational to put the question, if the country should not demand for her gold and silver, what ~~as~~ an individual she has never been advantaged by, is likely immediately to receive for it, and she herself, on a repurchase must pay.

This, being the most obviously dictated by our present circumstances, seems in the first

instance, the most likely to be understood; the question that will at once suggest itself is, shall the holder of a note of the Bank of England, or suppose that changed into a national instrument, shall the holder of this proportion of the currency, be subjected to receiving a less value for it than had been given and expected again? (it is meant in gold and silver.) The real value of the note, that is, the property it can command, may not have changed, since gold and silver had been no object for it; this shews that they are independent. Had the note been gold and silver, and the commodity it were now about to purchase, in the mean time become enhanced, must it be conceived, that in receiving a less quantity, value has not been received for the gold and silver? In like manner, if since coming into possession of the note, gold and silver have become enhanced in actual value, would not the property given for it, if in our hands, have been alike depreciated as opposed to gold and silver? Being accommodated by the note, we shall not have this enhancement to pay; and requiring the other for particular purposes, it is just we pay for it.

On the other hand, if gold and silver being enhanced, must, as a currency, be supplied on like terms as if in other circumstances, to engage to supply such currency to any extent, must be improvident, as the gain to the receivers of it will be undue. On this principle, I have thought individuals should not engage for such supply; and from national considera-

tions, I think they should not be permitted to do it. By the Bank of England continuing traders in gold and silver as currency, we are subjected in a greater or a less degree, to all the effects of that currency; I have shewn by a mode the most laborious, that it is desirable they should be avoided in this light, and that it is possible they may be avoided; from considerations yet more important, I think the expedient suggested should be considered; its most important effects can never be attained, but by giving it a separate standard; and as this standard must be inferior, in however trifling a degree, it can never be acted upon, till gold and silver have ceased as a general currency;—and here the final consideration of this question will be attempted.

Its regulation.

It is necessary, that the standard suggested should be inferior, or, if on equal terms, convertible into gold and silver, it will be converted; it is expedient that it should be inferior, because it is expedient that these should be avoided, and for reasons yet unmentioned, and which I do not know to have been suspected. In the mean time, as this is touching exactly where we complain, in allowing myself more freedom, I may be happier in my argument.

While I am arguing then, that our circulation should be inferior to the general value of gold and silver, that is, to the circulation of other countries, the cry and the accusation is, Why has it been permitted to become thus inferior? For this is the true mode of expressing,

why has our paper been allowed to fall beneath our gold? Since our circulation has fallen, it has doubtless been by the assistance of the Bank; our gold and silver have been relieved, and a profit made by them, but did that profit fall to the Bank? No, she has enabled such individuals as may have exported them, or would if permitted have exported them, to make this profit, but has herself made nothing but at her accustomed risk. In these circumstances, it were as severe that she should be rendered chargeable with the recovery of them, as at their present difference it were evidently impossible she should attempt it, or as in the consciousness of the restraint that were necessary to her future safety, it were imprudent to require it. But this had not been mentioned, but that it is evident, the country must every moment be silently falling into the present situation of the Bank; for whenever currency might become accessible it would be exported, the individual exporting it would have this gain; the same individual might recover it to her, at an augmented quantity of her produce.

The question why our currency has been allowed to become depressed, is still unanswered; I will only answer by inquiring what have been the effects. Our currency then is depressed; one hundred parts of Britain's currency, laid against her commodities, we shall suppose only equal, to a stranger, to ninety of his own laid against those of other countries; he will demand a right to one hundred and ten parts of

Effects of an inferior standard, or the exchange being against us.

her currency, where if that currency were equal to his own, he would only demand one hundred. Two or three considerations may be determined by the example I shall here endeavour to give, and a question rendered palpable, that has distressed us from the beginning.—  
*1st.* The currency of Britain had been equal to the stranger's, if continued in gold and silver, for his is such, and a commodity can never fall beneath itself. It is from this, that an exporter of gold and silver may be at present so much a gainer; for what he obtains in Britain, at its value as a part of her circulation at home, he may sell to strangers at its value with them; or one hundred guineas, from their value in Europe, may procure him commodities equal to what one hundred and ten, as a part of the circulation of Britain, would purchase there; and the stranger receiving right to her currency, can only think of its value where convertible, while gold and silver are convertible over the world. This will suggest the very glaring necessity, of a parity existing between all the parts of our currency, and it is exactly what is contended for; the difference is, as to the mode of effecting it. For it is contended in general, that it should be done, by restoring the parity between the divisions of our currency, and of that of other countries; or rendering an order upon one hundred parts of our currency in general, equal to one hundred guineas from their general value; in other words, restoring the par of exchange.

This could only be done and preserved, by restricting the extent of our circulation; what our regard to individuals among ourselves may induce us to do, is one consideration, and so far, it may be attended to with pleasure and safety; but I here distinctly state, what before I only hinted at, *that this parity of exchange seems neither necessary nor desirable*, and particularly, that any thing beyond this, or the favour of exchange, is both ruinous and irrational. One species of equilibrium I have suggested; it is between the actual commodities of the different countries; *but in nothing is it indispensable nor nationally expedient*, for a nominal standard exists now over the world; we have a guinea, and know its quantity, and we estimate our bank-note by that standard: France then gives *two* bolls of wheat for a guinea, we give only *one* boll for *two* parts of our currency of a like standard; should ever these countries meet for barter, is it not evident how it must end? The commodity would scarce be exported from Britain, but in the prospect of a double return, and this aspect of the circumstance I have already given.\*

I had given the other in connection, but for this circumstance; it is necessary before entering on it, to solicit some attention, for it is

\* It will occur that I have only given this extended instance, that the effect to which there is a tendency may be more obvious. It will appear also, that there is only a tendency, created by the impressions of the value of his articles, on the trader's mind; but that the principal result is, giving the expence of the purchase its proper bearing.

here I stand alone perhaps, and by this argument we are to be determined as to these suggestions. It is insisted then, that there must be a parity in the value of the divisions of our circulation, as compared with those of other countries, or—what follows? Our merchant going to any country, where the circulation in its divisions is higher than here, cannot be concerned in business, we imagine, on equal terms. Thus, one hundred guineas being circula- ble where commodities are produced at less nominal expence will purchase in Holland, a quantity of these commodities, equal to what one hundred and fifty (it may be said,) of these guineas, would purchase in Britain, or as parts of her circulation; for what the English merchant might procure for one hundred guineas in coin, he must give an order on the currency of Britain, for one half more, because the currency of Britain is only exchange- able in Britain, and is there, as opposed to commodities of this inferior value; this is the circumstance deplored. Now it appears to me most evident, that in this there is nothing, which we should see with the slightest uneasi- ness; it is the very situation, which to a certain extent we should prefer; for what is the con- sequence? These goods that have cost so high in the currency of England, on being brought to England for consumption, are raised in price,—and the consumer pays it; the consumer pays it, and should pay it; and whatever may be the commodity, corn, wine, oil, gold and

silver, or altogether, it is the same; the coun- try has lost a part of her produce proportioned to her purchase, and that only; and this through the hands of the individuals consuming it.

In our present circumstances in particu- lar, supposing gold and silver to have been ob- tainable through the Bank of England, this in- dividual had attained one hundred guineas, at their nominal value as a part of her circula- tion, and expends them, where from their ge- neral value, they are equal to one half more. Before the country regains them, a quantity of her commodities corresponding to this must be paid for them, and in the mean time, who are the gainers? If he raises his commodity, as is most probable, *the merchant*, if he does not, *his consumers*, and the country is taxed for their individual benefit, as she will ever be, while one guinea may be so transported.

Had the currency of the countries been on a level, and yet from circumstances of trade which are every hour occurring, had gold and silver been preferable to an order on the cur- rency, the country is supplying this gold and silver to a like valuable account, the benefit of of some individuals; And is the exchange in our favour, or the circulation of Britain more valu- able, and giving a greater command of her commodities, as coin had been exported be- fore, commodities will be exported now; and every guinea brought into her circulation, or assignment made upon it, is a direct profit to

Exchange  
at par.

Exchange  
in favour.

the merchant, at the expence of the general produce. Thus, he has a right to one hundred guineas, but these will purchase property equal to one hundred and twenty in the estimation of other countries; he carries the produce with him, and receives this price, or gives a right to it, in an assignment of the currency he has left behind him, and for one hundred guineas, becomes possessed of one hundred and twenty, or a proportion of the property of foreign countries, that is equal to this. While the exchange is, (what has been termed) in our favour then, or while the circulation of Britain is more powerful against herself, than that of other countries against them, *all* property is depreciated except currency; if this enhancement has been created, in quest of a currency adapted for particular purposes, then we are pillaging ourselves in general, for the benefit of those who may have occasion to make this particular use of it; if created, that our merchants may do business upon terms *nominally* equal, for the benefit of those merchants, or the consumers of their commodities.—While our circulation is *beneath* the generally receivable instrument only, are we in a situation really *rational*; for then only in particular, every peculiar enjoyment falls to the charge of its particular user. Thus, there is a circulation in Britain, of certain divisions, nominally correspondent to a standard that has long been known, but compared with the powers of that standard in other countries, it does not give the

Advantages  
of a parti-  
cular state  
of ex-  
change.

same command of particular articles;—does any one in possession of this currency, desire to become possessed of these articles, as more of this currency will be required for this purpose, he must furnish that excess, and he furnishes it distinctly by himself, for he is a user of an imported commodity; the currency of Britain is, *so far as it is necessary to assign it*, assigned with loss, and that loss has fallen upon an individual, but he received it in the conviction, that in these circumstances such would be his situation: in other words, an individual has by himself paid, for what he is by himself to enjoy. In other circumstances, or had the currency been more valuable, this commodity had been cheaper; But as our currency has been raised, our commodities have been depressed, and so far thrown at the command of strangers; that is, the property of the *country* has been sunk, and a few commodities for the use of *individuals*, have been rendered cheaper; or the country has been rendered chargeable, with what individuals are to consume.

I will give another example. I have thrown gold and silver from general circulation, but as an article of particular enjoyment, or merchandise, or as an ultimate condensation of industry, every one is at liberty to desire them, as far as may be agreeable. A quantity equal to one thousand parts of our original currency is desired, but for this, one thousand and fifty parts of our general currency must be given: these fifty parts additional are a charge upon the individual.

E

purchasing; it causes him to set apart his commodity until he shall find another who may consider it of the same or a superior value, and on every transfer of this commodity, the individuals using it are alone chargeable; they have the expence, and they have the benefit or pleasure; gold and silver are placed exactly in the situation of any other commodity; every individual desiring them for particular purposes, may have them, but by particular purchase; so much of the country's produce will be invested in them as individuals may find agreeable, but the purchase has been at their expence, as the retaining them will be. Now, if even an excess of property has been given for this proportion of these commodities, an excess has been given, for this particular portion only; or we have only paid for the quantity immediately wanted;—but the excess has only been in the number of parts of currency, for as to the real expence, is it likely that this can have been particularly enhanced by the circumstance of forty or fifty millions, (the extent of the circulation in Britain) having been left in the market by our particular management? and has not the expence fallen where just, when it has fallen on the users of the commodity? But the expence is merely nominal, and less than it would otherwise have been. And an enormity of property is saved by this; we make our investments gradually, paying for them as made; they are made as may be agreeable, and being made they are fixed; and the expence of making and retaining

them rests exactly with those concerned. By former systems, an expence scarce supportable existed in the very instrument of exertion, and was antecedent to all other expence or enjoyment; it was an article indispensable and all were necessitated to be purchasers; and what the community had purchased from necessity, an individual might turn to his particular purposes. If the community can now dispense with this, and it is only profitable to individuals in particular circumstances, were not the act of reducing the community to former necessities, reducing them thus solely for the benefit of these individuals? Raising her circulation above that of other countries, is directly reducing her to this, for who can be imagined likely to receive one hundred guineas, for what he might from strangers, receive one hundred ~~to~~ ten, or a corresponding proportion of property? But of what use are these when brought to her? A temporary profit to the individuals concerned, at the expence of the general property.

Whether I have made myself understood in this, it is impossible for me to determine; it has obviously been my wish—This may be intelligible.—It is my anxious impression, that to desire the currency in Britain, valuable above what it may be in other countries, is neither dictated by reason nor expedience, but exactly the reverse.

Conclusion.

It is complained, that even the labourer is injured by the depreciation here contended for—He expends at night perhaps, what he agreed



for in the morning—has a depreciation since then occurred, or had he not power to make his bargain then? The same of all others in active life, their redress is in their own hands; the original holders of currency, or a title to currency alone are injured—I would do every thing for them, but injure all together,—that is restoring the favour of exchange; and were it possible we should have peace and be relieved of our present burdens, with the advances that have been made in every species of industry, and the saving of property which I do conceive might be effected here, they would certainly find themselves affluent beyond their hope, and therefore most probably to their satisfaction.

Conclusion  
in general.

Might I conclude then on this very exhausting subject—Our subordinate sources of circulation, have been proved to be safe by the check afforded by gold and silver;—a national currency must have the same command. I have said, that currency might be adjusted to circumstances; by the mode I have suggested it will adjust itself—For gold and silver are still the final standard; the national currency is in our hands, and to be exchanged for property;—if that property being exchanged for gold and silver, would ultimately bring its possessor more property, than by being exchanged for the bank note, then the property will not be exchanged for the note; the note will return upon its source, and to be exchanged, not for any fixed quantity of gold and silver, but for such quantity as might at that moment be obtain-

able for the property over Europe—That is, the holder of the property, rather than part with it for what were depreciating, would seek gold and silver for it in other quarters; but he will receive a quantity of these at home, corresponding to his probable return from strangers, after the necessary charges of an exportation. If he receives this, he evidently receives all that is due, or can, without loss in some quarter, be afforded; and if the bank note can bring him this, or without this resort, the property to the other, the note is not depreciated, the transaction is complete and rational.

We have seen then that this currency is effectual, we know it to be cheap. The protection it affords is more valuable still—for as no more gold or silver has been obtained for the property it circulates, than had been obtained in other countries, there can be no profit in exporting them. These commodities once attained then, are the state's for ever, unless an individual shall find it expedient to make a sacrifice, and so far as then lost, they are at the individual's charge. In short, by a paper currency, the state transfers her property at an expence scarce perceptible; by a standard inferior to the general currency she is protected in it, and by this alone; and by a circulation inferior in general, the expence of each particular purchase, is thrown upon its particular enjoyers; no more of the national property is expended than individuals may deliberately resolve upon; and being expended, it is at their expence.



These if I have been able to render them evident, should satisfy me upon this occasion. The converse is, that gold and silver should never again become our circulation, nor of course, an equal part of it; and that the favour of exchange should never be restored. If the Bank of England shall ever be opened for currency, she subjects us to the effects of that currency; ere opened with safety to herself, the favour of exchange must be restored: she should therefore never be opened for currency, but on such terms as I have mentioned; in other words, they should thenceforth be as their constitution denominates them, *traders in gold and silver*, but not in currency.

After this, the effects of an immediate opening need not be adverted to—they have been repeatedly stated here, and are such as to render it painful, either to restate them or to decline it. My impressions that there may be something in these general suggestions, had induced me to endeavour to support and finish them.—I might suggest that the difference claimed for standard currency, were on the most common principles not only useful but rational; that it is countenanced by the conduct of the Bank of Holland, but that the principle here is regular while theirs was arbitrary; and that the effect intended being made evident, our procedure might not only be more uniformly just yet effectual, but being shewn to be rational and expedient, more completely justified. I might also suggest, how, by the general depositing of her treasure, the nation might arrive at a cur-

rency, sure as if in itself, yet by retaining it the property of individuals, be secured in all the advantages of that I have suggested, and against all the defects of the other; but I have already been drawn much beyond what can have given pleasure to either, but as the subject may seem to sanction it; and on this ground you will have listened, and I shall be excused.

I would here then very respectfully conclude. I have repeated in conversation, that the subject has not till this occasion been of my studies, and the simplicity with which I have treated it, will have made the remark unnecessary, but as I now intend it; with neither personal experience nor the most limited conversation upon the subject, it is hardly possible I should think with confidence, and I am entirely diffident, but I have thought, that there may be something in these that I might desire examined, and particularly, that the circumstance that shall prevent the disorganization we have been meditating, will do more for the country than she shall do for herself for years. In these impressions, to have desired the circumstances that gave rise to them examined, it must have been respectable; and I believed that this was sufficient to have excused much more with you.

I have but one step farther to presume. Holding us safe in all these, you are not to be told, that there are other measures by which a country may be impoverished. That you may be convinced she is not incapable of

estimating the most anxious exertions in her favour, I shall entreat to conclude with something intended for a different occasion:

"YE on whose powers, imperial labours lean,  
Conducting springs in this revered machine!  
Who as each pulse arterial leaves your hand,  
Live to enliven or distress the land;  
Has one adorned, assisted or preserved,  
Ne'er let him mourn that he has but deserved;  
To yield her right, or to protect from wrong,  
Her claims are deep—her arm can render strong;  
Yet these should rise where'er a MAN controuls,  
These should be graved for ever on our souls;  
The fruits of toil, howe'er to us derived,  
Have mite by mite at this result arrived;  
Or in a strange domain, or in our own,  
The torrid, temperate, or frigid zone,  
In every change of season, climes and soil,  
'Neath each privation, wooed by every toil;  
Unmov'd what fears torment, what ardours glow,  
Have risen, as nature, cold, unsure and slow;—  
And see the crowds, with rights untold from Heaven,  
Whose wants demand, or toils severe have given,  
The thinking man, will even with reverence use,  
And *madness* only, e'er will dare abuse."

I have the honour to remain,  
with very sincere esteem,

SIR,

Your respectful, and  
obedient humble servant,

D. BAIN.

WEST ROSE STREET, }  
Edin. Nov. 1810. }

#### GENERAL POSTSCRIPT.

THIS Letter, in substance nearly as it stands, but only so far perfected in form, as the duties of a fatiguing employment rendered prudent, till it had been discovered, if possible, how far the labour expended on it was likely to be useful, was some weeks since submitted to the very respectable person to whom it is addressed. The result was, the idea of a more general appeal. It is not possible that subject should be of more general interest, but I was not satisfied that I should be able to render it generally interesting; I may have occasion for the public indulgence, in circumstances of rather more consequence to myself, and I shall endeavour that these sentiments shall not be entirely unexamined, if likely to be of any consequence to it. In these circumstances, I have not hesitated to decline the appeal in question, and it is declined: But as I am impressed as ever with the probability that these suggestions may deserve some attention, it is respectful perhaps that I should evince in what degree they would seriously possess my own.

For the form of the letter,—I wished to establish the utility and safety of one part of our institution at least, and so far prevent a recurrence, which I think I have almost shewn, cannot be too decisively avoided.—I mean a recurrence to gold and silver as a general circulation; and having established the safety and desirableness of another circulation, under restrictions that are acknowledged to be effectual, I had only to establish, that under the circumstances I would offer it, it might be equally or more safe, to entitle it to the acceptance I desired it. In general—I know that I have expressed myself with too much rapidity, taken my positions with too much decision, and left them with too little anxiety: But the affair was to be private, it could not therefore be desired expensive; it was addressed to a person to whom great anxiety of explanation had scarce been respectful; I had not desired distinction in this department, and the cause is not mine.

I have never considered myself therefore, as desiring to silence opposition, but to suggest what appeared of use; assured that it was to receive all the attention it could from this deserve, and desiring it no more. In any other circumstances it is hardly possible I should have thought of desiring to explode so totally and at once, what has the prejudice of so many ages' endurance in its favour; suggesting with the same decision, *apparently*, what the country united is condemning, and particularly stigmatising the hitherto cherished regulation, or, the favour of exchange, as both ruinous and irrational. The circulation I have suggested however, *is not* the circulation the country is condemning, and approving it, I must have disproved the other; and I have endeavoured to give my reasons for desiring a change in the principle of regulation. These being attended to, my conclusions are neither rash nor irregular; I add, that I have been led to them in the most deliberate and dispassionate manner, and guided by circumstances and sentiments of the most general nature; and I do not hesitate to say, that as I think the grounds of our determination on this subject, are capable of being rendered firm and palpable as the earth on which we stand, so I think these particular positions, duly understood, have at least a chance for approbation, however gradual our actual approach to them may be. I know how much were necessary to their final or general establishment, but enough has perhaps been done for the personal anxiety of an individual so uninterested, at least until it has been discovered if more were of consequence; and in the mean time, as the *Currency* and its *Regulation* or extent, should really constitute the sum of our consideration upon this occasion, I shall adduce very shortly the support I seem to have in general.

At submitting these to the person to whom they are addressed, a copy of what himself had said, was put into my hands. With regard to this particular currency, his sentiments are known to be the same; in his reasons for avoiding a change, and his impressions of the consequences of such change, the coincidence is perfect and very forcibly expressed. Mr. Huskisson is much more copious; I can only say therefore, that

throughout his numerous positions, I have not observed that on this head we have thought differently; my impression is, that upon this particular point the coincidence is equally perfect; and in one instance in particular, he seems to embody an authority of some consequence, for he says, "the ingenuity of *merchants* and *bankers* is constantly at work to devise new means of substituting *credit* for the actual intervention of money, and to find fresh expedients, either to supply its place, or to economise the use of it, in their dealings with one another;"\* and he necessarily mentions this with approbation, while combined with public tranquillity, and those other traits, of course, that have long been characteristic of the nation: A partial use of it has long been approved; an adoption of it solely would here seem desired; I have mentioned why I think it should be so.

In short, gold and silver seem desired merely as I have all along assumed, as a check upon, or regulator of the currency; and how do gold and silver retain their steady value? Mr. Huskisson says, "If the circulation of any country were performed exclusively by gold, and the supply of that metal in such a country were from any imaginable cause, (the industry of the inhabitants, for example,) doubled, whilst the quantity of gold, and the demand for it should continue the same, in all other parts of the world, the price of gold in such a country would be diminished. This diminution of the price of gold, would appear in the proportionate rise of all commodities; but gold being so much cheaper in the country in which its quantity had been thus increased, it would be bought by other countries, and exported from that country, till its price was restored again to a level in the different parts of the world."† This is what has been implied in every page of the preceding letter. Mr. Huskisson has merely stated this, as it preserves a steadiness in the value of the currency, and probably without remark, because, no remedy having occurred, it might seem needless to deplore what could not be avoided. I think it is a regulator of the most expensive nature possible, and certainly the most discrediting to our ingenuity.

\* Page 120.

† Pages 26 and 27.

I have only room for a single suggestion here—Suppose a country ingenious and active in the last degree, extensively engaged in trade, and with countries, generally speaking, very much her inferiors in these; her annual produce, for her extent, is double or triple theirs, and the surplus of course is more: But the surplus of their produce is all that can be spared for hers, in whatever degree hers may really exceed theirs; in proportion as she outstrips them in industry then, she is likely to go to market with them with loss; for while their commodities are desired, hers, in whatever extent they may exceed them in value, will in one way or other be given for them. To prevent this is scarce possible under any circumstances; holding a circulation in common with them renders it unavoidable, for our circulation and our commodities will always have a tendency to a fixed relation; and this is preserved by this system, by the exportation of the one or the other, as the one or other shall abound. Every country in Europe, therefore, is likely to gain by our regulation of our currency, and the laziest the most, if they have a single commodity worth purchasing. In short, in retaining a circulation that is common to all nations, we determine on retaining ourselves, whatever may be our advantages or industry, on a level with these nations, whatever may be theirs; or as our industry is known, on enriching these countries at our expence, by retaining a perpetual level with them, in the floating substance of trade. This, I say, seems scarce avoidable, while we continue to trade with them at all; rendering gold and silver *nationally* indispensable, and yet retaining the present mode of regulating its value, lays us open in a double measure; for when it is not profitable to export commodities, it will be profitable to export gold and silver; and then it will be profitable to export commodities, that this gold and silver may be regained; and this alone should be decisive of the merits of this regulator. Our conclusion again, therefore is, and now seemingly with the consent of all parties, that, in gold and silver we have neither an advantageous circulation, nor regulator of that circulation; or at least, that a circulation of credit, could it be made to regulate itself, were desirable.

Without any impression of the general existence of

this desire, I have been anxious to establish its propriety; I have suggested how it appears to me, a circulation both safe and unexpensive might be provided, and rational in its operation I think unquestionably; and how it might be *permanently* retained of the value of gold and silver over Europe. This last exceeds even the demand; for in gold and silver, it were liable to at least all the vicissitudes the superior activity of the country could give it; and but that it has been long assisted by that elastic substance, which, I think I have shown the currency of the Banks to be, it is perhaps evident, that these vicissitudes had been more observed, but they are not the less conceivable. If I have but given a hint for these therefore, I have done more than, notwithstanding all my labour, I seriously hoped to do.

So supported in these, so far as they have been revolved by others, I might hope, that if standing alone in what I have suggested as to the regulation, it may be, because so far as I at present know, I have been the first to enter upon that department. I have suggested, that the currency should be inferior in however trifling a degree, and I have given my reasons; I shall only add, that it is an argument which, duly opened, thousands might be interested to quash, but which I think the country should feel it its duty to have examined.

Having suggested, that the currency should be inferior to the generally receivable medium, and yet, that its distance should be *fixed, deliberate*, and even inconsiderable, it necessarily followed, that the national establishment should change its principle, which at present *excludes all regulation*; and its principle in general, which brings into action again, both the regulation and the currency, which we think we have seen cause to desire avoided. I might add that by this change, it should seem, that the currency of that establishment, might, for the first time, be rendered unquestionable, for instead of resting on the responsibility of individuals, it might rest in every part on actual and intangible property; that that establishment might, for the first time, be placed beyond the possibility of loss by the supply of gold and silver; and it is the principal feature in this system, that the nation is at once relieved from a circulation expensive in its ori-

gin, and most exhausting in its operation, and protected from being rendered party in the speculations or expences of individuals.

A general alarm will be, that with a paper circulation the country could not be rich, for gold and silver are evidence of a condensation of our industry to their extent. Might not the country be equally rich, by having what proportion of these it can afford, in plate, or bars, or in any form as in currency? It would be with no individual loss, for if in the shape of guineas, no interest could be obtained from the Bank of England.—Deposit it in the Bank of England, under the system I have been suggesting, and a proportion of the national currency, corresponding to its value, may be obtained upon the security of it;—it is thus at once a treasure, and instrument of farther industry; it may be sold in any proportion, for on returning a proportion of the currency received, corresponding to the treasure to be removed, that treasure must be at liberty; or it is a final provision for posterity, of the value at which it may be at the period of removing it: but I have only answered this objection, because I believe it to be common.

In conclusion, it will be understood distinctly, that it is upon *these* I would resist the opening of the Bank of England for gold and silver.—Because it continues a system in general, that should not be continued; because particularly, it must be attended, with an immediate and permanent limitation of the currency, raising and retaining it as much *above* the line of expedience, as it may at present be beneath it; and subject us again to the operation of every effect of these circumstances. The Bank can easily comply; but *their safety* and the terrors of this visitation, seem certainly to afford a regulator, nationally considered, infinitely less ruinous in its effects, than that we have been accustomed to, and now so anxiously desire; it need scarce be added, that this is approving neither.