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THOUGHTS
ON THE
RESTRICTION
OF
PAYMENTS IN SPECIE
AT THE
BANKS
OF
ENGLAND AND IRELAND.

BY LORD KING.

LONDON:

PRINTED FOR CADELL AND DAVIES, STRAND;
AND J. DEBRETT, PICCADILLY;
BY J. TAYLOR, BLACK-HORSE-COURT, FLEET-STREET.

Price 2s.

INTRODUCTION

MEMORIAL

1803

MEMORIAL

presented to the House of Commons

in the year 1803

relative to the Restriction of Payments in Specie

at the Banks of England and Ireland

and the expediency of a more liberal system

of the Currency

in the Kingdom of Great Britain and Ireland

and the propriety of a more liberal system

of the Currency

in the Kingdom of Great Britain and Ireland

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ADVERTISEMENT.

MANY of the observations, and all the material facts contained in the following pages have been adduced in the course of the different debates of the House of Lords during the present Session, upon the two Bills for the renewal of the Restriction of Payments in Specie at the Banks of England and Ireland. The great importance of the subject suggested the propriety of presenting them to the Public in a more correct and extended form.

An Appendix has been added containing several Tables which shew the course of exchange, and the market price of silver for some years past, together with the amount of English and Irish Bank notes since the period of the Restriction. These accounts have been given, as furnishing the materials from which the several conclusions contained in these pages, respecting the state of the currencies of Great Britain and Ireland, have been deduced.

Since this work was printed, the negotiations between this Country and France have at length terminated in war. This great change in public affairs has given an additional importance to the question concerning the Restriction of Payments in Specie; both by increasing the temptations to an abuse of the present system, and by rendering its further continuance more probable.

May 20, 1803.

ON
THE RESTRICTION

OF
PAYMENTS IN SPECIE.

THE use of paper currency as a substitute for the precious metals is one of the most curious and important facts in the commercial history of modern times; and the extent to which this practice has prevailed in the most improved countries is an evident proof of the advantages with which it has been attended. Those advantages consist principally in supplying the place of a very expensive instrument of exchange by one which, at the same time that it is less costly, is in many respects much more convenient; the same operations by which the precious metals are economized having the effect of abridging the trouble of great receipts and payments, and of simplifying in the greatest degree all pecuniary transactions.

It is a popular objection to the system of paper circulation that, by introducing a new quantity of the circulating medium, it occasions a depreciation of the value of money and a consequent advance of prices; whilst on the other hand writers of great authority, and among them Dr. Adam Smith, have asserted that, as each portion of paper currency displaces an equal quantity of coin, no effect whatever is produced by this means upon the value of the precious metals. This opinion, though much nearer the truth than the former, and though it may be considered as true for all practical purposes, is not however a correct representation of the fact. The metals, which by the consent of mankind are used as the representatives of value, are employed either as current coin, or in the form of bullion; and the value of each portion of them will consequently depend on the degree in which the supply for these different purposes is proportioned to the demand. But the use of a paper currency in any particular country, so far as it displaces the coin which would otherwise be employed, diminishes the demand for these metals for the purposes of coinage, and has precisely the same effect in reducing their general value as an actual increase of quantity to the same amount.

*x such circulation often occurs
on hoarding and conse-
quently in no way adds to the
quantity of gold & silver in the
country*

On the supposition therefore of the whole quantity, marked
of gold and silver remaining the same, they must, in a certain degree, be rendered cheap by every increase of paper currency. But, as these metals are in universal request and circulate more generally than any other articles of commerce, the effect thus produced cannot be partial or local; and it must consequently follow that the actual reduction in the value of gold and silver, which is produced by the paper circulation of any particular country, is in the proportion of the amount of such circulation to the quantity of precious metals applicable to the purposes of coinage and commerce in the whole world. It is probable that this proportion can never be very great; and experience seems to shew that no considerable depreciation is produced in this manner. Previous to the Revolution in France the currency of that extensive country was carried on in silver; and the rapid emission of assignats, which was the consequence of that event, must have very suddenly withdrawn a considerable quantity of silver from circulation. Yet this violent operation does not appear to have produced any perceptible effect upon prices in Europe. The extension of paper credit, which takes place in

common times and under ordinary circumstances, can only produce a very gradual depreciation, which being shared by the world at large, is not felt as an inconvenience by any particular country.

It seems to be a necessary consequence of this reasoning, that the nation which carries on a considerable part of its currency by means of paper instead of the precious metals enjoys a great superiority over countries which have not recourse to the same expedient; since it is enabled by this means to save the whole amount of the capital which would otherwise be necessary to supply the proper quantity of the metals for circulation; and it has therefore an advantage exactly of the same kind as it would possess in manufactures, by any of those improvements in which important mechanical processes are executed by means of less expensive machinery.

It must however be evident that the advantages which thus result from the use of a paper currency depend altogether upon the fact of its exactly supplying the place of that coin which it represents; and this quality can only be possessed by a currency

which is *immediately convertible into specie at the option of the holder*. So long as this power of conversion continues, the notes in circulation must be considered as equivalent to specie; since they exist only by the choice of the public, who, if they preferred gold and silver, might immediately receive them in exchange. But when the obligation to pay in coin ceases, the currency no longer retains this determinate value, but whatever may be the credit or solvency of those by whom the paper is issued, it becomes capable of being depreciated by excess of quantity. That the power of *immediate* conversion into specie is the only circumstance which can prevent this excess or maintain the value of any paper currency, is practically shewn by the occasional discount upon exchequer bills and other Government securities bearing interest, of which the payment is ultimately certain. A currency exposed to such fluctuations must evidently be a very unfit medium of exchange or standard of value.

The system of paper credit in England, prior to the restriction of payments in specie, was founded entirely upon these principles. Its circulation consisted

principally of Bank notes payable on demand. The proportions of coin and paper currency appear to have been divided in a very convenient manner; the payments under five pounds being made in cash, and the large payments in paper convertible immediately into specie. A system of this kind appears to unite the conveniences and exclude the disadvantages of a paper currency in the greatest possible degree. A complete substitution of paper for the precious metals in all small payments is attended with several obvious disadvantages. Where, for example, the trade between dealers and small consumers is carried on entirely in paper, the facility of passing notes of such trifling amount, the ignorance of the persons among whom they are circulated, and the length of time during which they may be expected to remain in the distant provinces, afford great temptations to forgery; and this inconvenience, independent of several others which might be mentioned, is sufficient to counterbalance the advantage to be gained by the substitution of paper for specie to so great an extent. In the transactions between dealers, among whom there is much greater skill and vigilance, where the notes

are much larger and more frequently returned to the metropolis, instances of successful forgery are much more rare.

As all paper credit depends essentially upon confidence, it is one of the evils of the system to be exposed to great derangements in consequence of panics which produce runs, or sudden demands for cash, upon the Banks which issue the paper. It now appears that for some time prior to February 1797, and indeed during the whole of the year 1796, the Bank of England had been labouring under difficulties originating in an unfavourable exchange, but which were much aggravated by an extension of its issues to Government, and an increasing demand for specie occasioned by public alarm. In consequence of this demand the Directors found it necessary to diminish the issue of their notes, which in the beginning of the year 1797 were reduced from the average of between ten and eleven millions to nearly eight millions and a half. Had confidence been speedily restored, this reduction would probably have enabled them to survive the danger. But the Executive Government having, for some reasons, thought it necessary to express their apprehensions of an

invasion, and to take measures of precaution against hostile attacks, a general panic ensued, and a demand for specie from all parts of the country was made upon the Bank of England. This brought affairs to a crisis; and on the 25th of February 1797 the Directors represented to Government their inability to perform their engagements to their creditors, and their apprehension that, unless some immediate step was taken for their relief, the Bank would be exhausted of the whole of its cash.

In this new and difficult state of things it is an important question to determine what is the system of conduct which true policy would have dictated. In cases of private commercial establishments of acknowledged solvency recourse is often successfully had, upon such occasions, to associations of the principal creditors. It seems highly probable that a similar measure would, in this instance, have been attended with similar good effects; and that the impending danger might have been prevented by an association of the merchants and bankers of London to support the credit of the Bank, which would have been followed by other associations in all the great and commercial towns. Engagements

of the same kind might have been entered into by the individuals of both Houses of Parliament, grounded upon such inquiries into the solvency of the Bank and the causes of its failure as those which in fact took place.

If a positive law for the suspension of payments had been found unavoidable, it should have been limited to a peremptory time, under the most solemn parliamentary engagement that it should not again be renewed; and immediate provision ought to have been made for answering the demands of the public for gold by a new coinage to a considerable amount*. Such a measure could not have been attended with any serious difficulty or expence; but had it even occasioned some degree of embarrassment, yet no

* There is an obvious impolicy in the present law for regulating the exportation of the precious metals, which renders it difficult to provide current coin on sudden emergencies, and produces a necessity for great coinages on such occasions. The law permits gold and silver to be exported in bullion, but not in the form of current coin. This prohibition has the same unfavourable effects as all other legislative restraints on commercial freedom. Instead of increasing, it diminishes the average quantity of current coin. In cases of an excess or redundance of currency in England, guineas, in order to be exported, must now be converted into bullion; and a recoinage

sacrifice was too great for the support of commercial credit and national faith; and some struggle for such important objects might surely have been expected from that financial courage and fertility of resources, which upon occasions of a very different nature distinguished the measures of the late Administration.

Instead, however, of trying the effect of these natural and obvious remedies, recourse was at once had to the most violent means. An Order of Council was issued on the 26th of February, for restraining the Bank from payments in cash; and the restriction was confirmed by an Act of Parliament, which was afterwards renewed during the existing session.

So great a revolution in the whole system of our paper currency was not at first viewed without considerable alarm. The original Act of Suspension, which was itself passed on the 3d of May, was

becomes necessary if the currency should afterwards be deficient. If guineas could be legally exported like dollars or Portugal coin, they would become regular articles of commerce, and might at all times be procured from the Continent when there was a demand for them in England.

limited to the 24th of June; and a confident expectation was expressed that the Bank would resume its payments during that session of Parliament. A clause was introduced into the bill to enable the Directors to renew their issues of cash, even within the period of restriction, upon a certain notice to be given to the Speaker of the House of Commons, and published in the London Gazette. No apprehension was then entertained that the measure could be of any long continuance. Had it been understood that the restriction was to remain during the war, and even for two years after the conclusion of peace, it may reasonably be doubted whether the power and popularity of the Minister, unbounded as they were, could have carried the measure through Parliament.

A proceeding thus resorted to on a particular emergency has been continued by repeated renewals for a period of more than six years; and, from the manner in which the subject has been lately discussed in Parliament by the advocates of the suspension, there is no immediate probability of a return to the former system. The same indifference has appeared on the part of the Bank as on that of the Executive Government. Had the Directors acted as became the

guardians of public faith and commercial credit, they would have long since used every effort to relieve themselves from the disgraceful situation to which they were reduced. But they have hitherto shewn no such disposition. They have willingly accepted, and, it is most probable, have solicited, a continuance of this legislative interference. Instead of exerting themselves to perform their engagements to their creditors, they have shared larger profits among the Proprietors of their Stock; and there is no reason to believe that they will at any time resume their payments in cash, unless compelled by a discontinuance of the present suspension.

In the first moments of the alarm occasioned by the stoppage of payment, it was apprehended that a depreciation of Bank notes would be the immediate consequence of the suspension. But, though such an opinion was in some respects justified by the conduct of the Bank in their transactions with Government, the fact of an immediate discount was not perhaps at that time extremely probable. The association of the bankers and merchants of London in favour of the Bank paper gave it a certain currency, and the receipt at par in payment of taxes a certain value,

notwithstanding any depreciation which might be produced by an excessive issue of notes. But, besides this, there were several obvious reasons why the Directors of the Bank should, for a certain period at least, act with prudence and moderation. Though they had the most unlimited power of increasing the quantity of their notes, yet some regard to character might reasonably be expected from men placed in so new and responsible a situation; and if we could suppose them to be altogether indifferent to such considerations, it was their interest, as a corporate body, to be cautious in the abuse of a power to which the public was not yet familiarized. A positive discount of Bank notes, during the early period of the restriction, would reflect great disgrace on the Directors, and was likely, by the clamour and discontent which it would occasion, to render a renewal of the suspension an unpopular and impracticable measure. It was probable therefore that the progress of the abuse would be very gradual; and that the issue of notes would, for a considerable time, be restrained within limits not very greatly exceeding the actual demand. Had it been the systematic purpose of the Minister and Bank Directors to perpetuate the abuse of an unlimited paper

currency, they could not, as it should seem, have adopted any more effectual means for attaining that object. It is by no means intended by this remark to charge either of these parties with such a deliberate design. They appear indeed, by their continued renewals of the original Act of Suspension, to have shewn either great ignorance or great neglect, of the true principles both of justice and policy. But they have evidently had recourse to these measures as mere temporary expedients to avoid present difficulties; and both their conduct and language on these occasions, equally prove that they have acted without any distinct system or extended views, and without any regard to distant consequences.

The public acquiescence during so long a period in a measure which originally excited so much alarm can be attributed only to an opinion that, as there is no positive loss or discount on Bank notes, no inconvenience has in fact been suffered, and that the Directors have not been guilty of any abuse of the powers with which they have been entrusted. This opinion is much strengthened by the supposed small amount of the notes at present in circulation, compared to the extended wealth and

commerce of the country. At the time when the last accounts were presented to Parliament, the amount of the notes appeared to be about sixteen millions, which, though a great increase beyond the average quantity prior to the restriction, is affirmed, by Sir Francis Baring and other advocates of the Bank, by no means to exceed the amount which so extensive a commerce requires. The augmented trade of the country, appearing by a great increase of the Imports and Exports during several years past, gives some appearance of truth to this assertion.

It is clear however that this opinion proceeds entirely upon a supposition, which, though in itself very plausible and countenanced by several writers on political œconomy, appears to have no foundation in fact. The argument assumes that there is in all cases some given proportion between the wealth and industry of a society and the amount of its currency; and that this proportion is capable of being known and ascertained. It is upon the ground of these assumptions that estimates have been formed of the proportion which the circulating money of any country bears to the whole value of the annual produce circulated; which has been computed by different

authors at a fifth, at a tenth, at a twentieth, and at a thirtieth part of that value*.

A very slight consideration may satisfy us that this whole view of the subject is erroneous, and that there is no rule or standard by which the due quantity of circulating medium in any country can be ascertained except the actual demand of the public. The requisite proportion of currency, like that of every other article of use or consumption, regulates itself entirely by this demand; which differs materially in different countries and states of society, and even in the same country at different times. It seems at first sight, from the greater number and amount of exchanges which take place in such a state of society, that a rich and commercial nation would require a much larger proportional quantity of the circulating medium than a country distinguished by its poverty and idleness. Yet the contrary of this is probably the fact. A great advantage, as has already been observed, is enjoyed by the more advanced nation in the more skilful and judicious management of its currency. The first step in the improved system of circulation, is the establishment of Banks,

* Wealth of Nations, vol. i. 441.

which diminish the quantity of current coin or paper, by rendering it unnecessary for individuals to retain large sums for their constant use. A further improvement takes place in the extensive use of bills of exchange and promissory notes, and of the drafts of Bankers payable on demand, by means of which all currency is economized in perhaps a still greater degree, and a small portion is made to perform the office of a much larger*. Notwithstanding the superior riches and industry of England, there can be no doubt that its circulating medium, in consequence of these improvements, is much less in proportion to its wealth and commerce than that of France; which, prior to the Revolution, was computed by M. Necker at 90 millions sterling. No commercial writer has ever estimated the circulation of England at any sum approaching to this amount.

Even in the same country the quantity of circulating medium required for commercial transactions is liable to great fluctuations, and is very different at different periods. During a season of prosperity and

* The practical methods by which currency of all kinds is economized in the transactions of the London merchants and bankers are explained by Mr. Thornton in his Essay on Paper Credit. The passages which relate to this subject form the most useful and instructive part of his work.

confidence, the demand for currency, whether consisting of coin or paper, is much diminished by the facility of obtaining credit. The contrary effect takes place in times of alarm or insecurity, which, by producing unexpected calls for payment, obliges every person to increase his stock of currency as a provision against contingencies. It is for these reasons that the proportion of circulating medium required in any given state of wealth and industry is not a fixed, but a fluctuating and uncertain quantity; which depends in each case upon a great variety of circumstances, and which is diminished or increased by the greater or less degree of security, of enterprize and of commercial improvement.

The Bank of England usually issues its notes by discounting bills of exchange to merchants; and it has been supposed that, provided the bills are not fictitious, but relate to transactions between real debtors and creditors, the paper money which is thus issued can never exceed the amount which would necessarily circulate if the obligation to pay in specie existed*. But the occasional convenience of the mer-

* This seems to be considered by Dr. A. Smith as a general rule applicable to all paper currency; but he does not discuss the question or state the reasons upon which his opinion is founded. *Wealth of Nations*, i. 455.

chants has a very remote connection with the permanent demands of the public. Though we should suppose the Bank to possess the means of distinguishing in all cases between real and fictitious bills; yet transactions may pass between individuals, and payments may be made by bills of exchange to a large amount, upon occasions and for purposes which have no reference to the number or amount of such transactions in the community at large. But it is certain that the Directors of the Bank have no such power of distinguishing between bills of different kinds; and that, in any general system of discounting, they must be liable to be imposed upon by what are called bills of accommodation. This uncertainty would occasion great difficulties and constant errors in the use and application of any rule for the regulation of currency founded upon the calls of the merchants for discounts.

But a single practical instance of a great demand for discounts clearly unconnected with a general demand for currency may at once convince us that the rule itself has no just foundation. By the impolitic restrictions of the laws against usury, the Bank of England, like other lenders, is prohi-

bited from receiving an interest upon its loans of more than five per cent. But it may often happen that the rate of mercantile interest, and even that of Government securities, exceeds this sum. Under such circumstances, the merchants have a strong inducement to obtain money upon loans from the Bank; and the demand for discounts in consequence of this inducement may be carried to any assignable extent. Demands originating in such causes have in fact frequently taken place at different periods during the late war; and the contrary effect of a diminished demand would naturally be produced by times of peace and prosperity when the rate of interest is low. Yet, at these periods, in which commerce is most flourishing, the currency and circulation of the country would naturally be the greatest.

In real practice, it is well known that the Directors of the Bank do not consider the number or amount of good bills presented to them for the purpose of being discounted as furnishing the rule by which the amount of their issues is to be determined. Even since the period of the restriction, they have, on various occasions, thought it necessary

to narrow their discounts. They are understood to give a certain limited credit to all the considerable bankers and merchants; and to discount for each a certain proportion of bills according to the extent of his credit. But so long as there is no obligation to exchange their notes for specie, it is evident that this proportion must be altogether arbitrary, and dependent upon the will and pleasure of the Directors, not upon the actual wants or demands of the community.

Some persons have thought that the acknowledged solvency of the Bank of England and its ample sufficiency to pay the amount of its bills in circulation are an abundant security against an excessive issue of paper; or at least that no danger is to be apprehended while the currency is confined within these limits. The fallacy of this opinion may be very easily shewn. It is perfectly obvious, in common cases, that the amount of a Banker's capital, and his power of raising money, afford in themselves no proof or presumption whatever that he has the means of carrying his circulation to the same extent; and it is impossible to distinguish between the case of a common Banker and that of

the Bank of England. A rule of limitation, therefore, founded upon the principle of solvency, would be still more inaccurate than a rule founded upon the demands of the merchants for discounts. By additional subscriptions the capital of the Bank of England and the amount of its property are capable of being augmented to an indefinite extent; but no one will therefore contend that the national currency could be extended without limit, or that it would admit of any considerable increase without great depreciation. Of all possible securities for money the security of Government has always been considered as the most solid and indisputable; yet Navy and Exchequer bills are often brought to a discount by excessive issues; and it is known by experience to those persons who conduct such financial operations, that no quantity of these securities can be forced upon the market beyond its actual demand, without producing a reduction in value.

A mixed consideration of the price of bullion and the state of foreign exchanges would probably be the best practical rule by which the Directors of the Bank, during the suspension of their payments in cash, could regulate the issue of their notes; yet, in

consequence of the irregularities which will hereafter be shewn to be produced by the balance of trade, it would on some occasions deviate from the true standard. But, whatever may be the principle by which the Directors, since February 1797, have limited the issue of their notes, the following observations will prove that they certainly have not adopted *this* rule; though it is highly probable that a general consideration of the price of bullion and of the rate of exchange may have served to guard them against a flagrant and impolitic abuse of their powers.

If the above reasoning is well founded, it must follow that there is no method of discovering *à priori* the proportion of the circulating medium which the occasions of the community require; that it is a quantity which has no definite rule or standard; and that its true amount can be ascertained only by the effective demand. In countries where the currency is carried on by the precious metals, the quantity is regulated, as in all other cases, by the skill and attention of individuals who are versed in this particular branch of trade; or, in other words, by the bullion merchant, who, in case of a redundant currency, withdraws the excess from circulation and employs

it in foreign commerce, or, in case of a deficiency, procures a new quantity of the metals to be converted into coin. Where the currency consists of paper convertible into specie, the excess or deficiency is in the same manner prevented by the demand of the public either for cash or notes as circumstances may require.----A paper circulation which cannot be converted into specie, is deprived of this natural standard; and is incapable of admitting any other. The persons to whom the duty of regulating such a circulation is entrusted are in danger, with the very best intentions, of committing perpetual mistakes. The greatest possible degree of skill and integrity can only protect them against gross errors. They will probably in no one instance be exactly right.

That the experience of the officers of the Bank may in some respects have furnished them with the proper skill and knowledge for the regulation of such a currency (if it ought in any case to exist) it would be injustice to deny; but it may very reasonably be doubted whether they possess sufficient firmness for the proper and independent exercise of so important and difficult a trust. Whatever respect may be due

to the characters of the Directors as individuals, it is impossible, after the transactions of 1796, to acquit them of blame in their corporate capacity. During the present restriction of payments in specie they are obviously exposed to great temptations. Political influence may occasion an improper increase of their accommodations to the Executive Government; and their direct interest in the profits made by the Bank furnishes a constant inducement to the extension of their notes beyond the proper limits. It is the object of the following pages to shew, from indisputable facts, that there are strong reasons for believing that the Directors of the Bank of England and, in a still greater degree, those of the Bank of Ireland, have in reality yielded to these temptations, and that they have made an undue and improper use of the powers intrusted to them by Parliament.

THE VALUE of the coinage in any country may be discovered by ascertaining the price at which any known quantity of the precious metals is sold. Though the advantage of being in the form of coin gives to the metals in that state a certain preference above bullion, yet this seems in no case to be sufficient to produce any great difference in value; and all commercial writers have therefore agreed in considering the market price of gold and silver as the most accurate tests of a pure or depreciated currency.

“When under all occasional fluctuations,” says Dr. Adam Smith, “the market price, either of gold or silver bullion, continues for several years together steadily and constantly either more or less above, or more or less below the mint price, we may be assured that this steady and constant, either superiority or inferiority of price, is the effect of something in the state of the coin which at that time renders a certain quantity of coin either of more or less value than the precise quantity of bullion which it ought to contain. *The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause*.*” This

* Wealth of Nations, vol. i. 68.

observation respecting a currency in coin is equally applicable to a paper circulation not convertible into specie. But on account of the perpetual fluctuations in quantity and value to which the latter is exposed, the market price of gold or silver is a test more peculiarly applicable to such a currency. Bullion is of all articles of commerce the least subject to variations of price; and though, in comparing distant times, its value is greatly affected by accumulation or the discovery of new mines, it may be considered as being stationary during short periods.

Another test of a pure or depreciated currency of great importance, though in some respects less accurate than the former, is the state of foreign exchanges. A currency in specie cannot possibly be degraded by any excess in quantity, since the surplus, having an intrinsic value, may be exported to other countries. But paper not convertible into specie possesses no such quality. Having a mere local value, confined to the country within which it circulates, it *must* remain in that country, and, if multiplied beyond the demand, *must* be depreciated in the degree of its excess. In the course of commercial dealings this increase of quantity is

soon discovered; and prices are increased in proportion. A similar effect takes place in transactions with foreign countries according to the states of their respective currencies. The degraded currency of one country being balanced against the pure currency of another, an allowance is made for the degree of depreciation. An addition exactly equal to this amount is calculated upon all the debts of the former country; and the *apparent* increase of debts has a corresponding effect upon the rate of exchange, which is no longer a just criterion of the relative state of the commercial transactions between the two countries. Though the imports and exports should be precisely balanced, though the debts and credits should be equal, yet, as the currencies differ in their intrinsic values, the exchange, though really at par, will appear to be unfavourable to that country where the currency is degraded*.

* The proof of a degraded currency founded upon the two tests of the price of bullion and the rate of exchange was strongly and successfully urged by Mr. Boyd in his Letter to Mr. Pitt, published in December 1800. But he appears to have given an advantage to his opponents by insisting too much on the *degree* of depreciation, and by attributing to the excess of Bank paper a greater effect upon prices than it seems to have produced. In illustrating his position by the advanced

During the course of more than three years past an extraordinary and rapid advance has taken place in the price of bullion; and the general course of exchange with the continent of Europe during that time has been unfavourable in the same degree. Within the same period the paper currency of the Bank not convertible into specie has increased to an extent of which we have had no former example. It may be assumed, therefore, on probable grounds, that the bullion has not become dear; but that the paper for which it is exchanged has been rendered cheap; because every commodity is cheap or dear in proportion to the abundance or scarcity of the supply. A more particular reference to the several alterations which have taken place in the price of bullion and the state of the exchange, since the restriction

price of corn, an article which is subject above all others to great variations during short periods, and which in that particular instance was chiefly influenced by an acknowledged and undeniable scarcity, he was peculiarly unfortunate. Yet his work appears to have been of use in calling the attention of the public to this important subject. Notwithstanding the great commercial names which have been opposed to Mr. Boyd in the controversy, his general principles remain unconfuted. On the contrary, both Sir Francis Baring and Mr. Thornton, by acknowledging the necessity of *some* limit to the issue of Bank paper, without being able to state any practical rule or standard of limitation, have admitted the full force of Mr. Boyd's arguments.

of payments in cash in February 1797, will serve to illustrate this reasoning, and to place the whole subject in a clearer point of view*.

Whilst the violation of the public faith was yet recent, and the success of the experiment doubtful, the Directors of the Bank acted with great caution, and confined the amount of their notes to the moderate sum of eleven millions and eleven millions and a half. No practical inconvenience seems to have attended the restriction of payments in specie during this limited issue of notes, nor was any important effect produced either on the state of the exchange or price of bullion previous to the year 1799. It is to be observed, however, that the market price of silver, upon the first alarm occasioned by the order in Council, rose rather suddenly from 5s. 4d. to 5s. 6d., probably in consequence of the apprehension of a discount on Bank notes; but in the month of June following it was as suddenly reduced to 5s. 0 $\frac{1}{2}$ d., and continued at that low price till the end of the year 1798.

* The state of the exchange with Hamburgh and of the price of silver bullion for several years past may be seen in the Tables contained in the Appendix. The attention of the reader is particularly requested to these Tables.

The emissions of Bank paper gradually increasing to 13,700,000l. produced a sensible alteration in the exchange with Hamburgh, and in the price of bullion, which rose from 5s. to 5s. 8d., being an advance of near 14 per cent.; the exchange from the beginning of the year 1799 to the beginning of the year 1800 falling near 20 per cent.

The price of bullion must always be affected in a certain degree by the state of the exchange. A balance against England, by causing a demand of specie for exportation, will have a tendency to raise the price in the market. But the balance of trade alone can never occasion any greater difference in the state of the exchange above par than what will be sufficient to pay the expences and profit of the merchant who exports the precious metals to restore the balance. This expence will probably seldom exceed 8 per cent. from London to the continent of Europe; which may be considered as the utmost limit of an unfavourable exchange in a regular state of things. But a degraded currency may depress the rate of exchange to any given extent, having no other limit than the degree of degradation. Except in the cases of such derangements of currency there does not appear to be any instance of an

unfavourable exchange to a greater amount than that which has been stated.

The difference between the effect produced by an unfavourable exchange and a depreciated currency will be seen by the following example. In the year 1795, prior to the restriction of cash payments, considerable sums were sent to the Continent for the purchase of corn, and a loan also of four millions was remitted to the Emperor. These operations had the effect of depressing the exchange about 7 per cent. against England, and of raising the price of standard silver near 5 per cent. above the mint price.

During the last four months of the year 1799, and at the close of 1801 and commencement of 1802, the exchange was also at 32, or about 7 per cent. against England; but the price of standard silver instead of remaining at 5s. 5d. (as in the former instance) rose to 5s. 8d. This difference was probably occasioned by the increase of the paper currency of the Bank, which amounted to fourteen millions.

In 1802 the price of silver rose to 5s. 11d. and 6s., the amount of Bank notes having at the same

period increased to 15,956,106l. In these instances the market price of bullion exceeded the mint price by no less than 16 per cent.; a difference which could not possibly be produced by the state of the exchange.

It will generally be found that the variations in the price of bullion and in the state of the exchange since the suspension of cash payments have corresponded in a very remarkable degree with the variations in the quantities of Bank notes. The improvement in the exchange since the conclusion of peace, when truly considered, forms no exception to this general remark. A considerable effect must have been produced in consequence of that event by the increase of our exports and the more favourable balance of trade; and it is highly probable, from the flourishing state of our commerce and from all former experience during regular periods, that the real balance is more in favour of England than appears from the nominal state of the exchange.

The currency appears to have suffered the greatest depreciation in 1800 and 1801; the price of standard silver being at 5s. 10d. and 6s., and

the exchange with Hamburgh varying from 10 to 12 per cent. below par. The great sums which were at that time remitted to the Continent for the purchase of corn will in part account for the unfavourable exchange; but this natural consequence of great and unusual remittances appears to have been aggravated by a depreciated currency. The effects of the Imperial loans and of the purchases of foreign corn must probably have ceased early in 1802; and the subsequent high price of bullion, as well as the unfavourable exchange, during the greater part of the year 1802, is to be attributed solely to a depreciation of currency occasioned by the excessive issue of Bank paper.

The amount of notes in circulation during the year 1802 rather exceeded the quantity at any former period of which returns have been made; but the price of bullion is somewhat lower, as well as the rate of exchange less unfavourable, than in the preceding years. There can be little doubt that this difference has been occasioned by the peace; in consequence of which event commerce has become more active, and the circulation of the country capable of receiving a larger proportion of currency without inconvenience.

During the last year the nominal balance was 5 per cent. in favour of Hamburgh; but it is probable that the real exchange was in favour of England; there being reason to believe, from the high price of silver, that the favourable balance of trade was counteracted by a depreciation of Bank notes to the amount of at least 5 per cent. In general it may be calculated that when the exchange with the Continent is nearly at par, the market price of silver will not deviate in any considerable degree from the mint price. We have at the present time a striking instance of an exchange with the Continent at par, and in an improving state; while the price of bullion is between 9 and 10 per cent. higher than the mint price. This extraordinary difference is rendered intelligible by supposing Bank notes to be depreciated, and the real balance of trade very different from the nominal, but by no other hypothesis.

The above reasoning might be illustrated by many well-known facts in the history of the British coinage. It is stated by Dr. Adam Smith that in the reign of King William the exchange was 25 per cent. against England; but the currency, in

consequence of the clipped and degraded state of the coin, was depreciated in a still higher proportion. It was at that time imagined that though the nominal balance was so much against England, the real balance was considerably in her favour*. A similar depression of the foreign exchanges was produced by the degraded state of the currency prior to the recoinage of 1772. The price of standard silver was at the same time high, and continued steadily for several years at a rate much above the mint price, though it does not appear ever to have exceeded 5s. 9d. The new coinage reduced it in a short time to the mint price; and there was a corresponding improvement in the course of exchange.

The enormous issue of *assignats* during the French Revolution depreciated the currency of France in a greater degree than was ever known in any other age or country. During the course of little more than two years the exchange between London and Paris appears to have fallen between 60 and 70 per cent. to the disadvantage of the latter place; and it must have sunk still lower in consequence of new
* Wealth of Nations, vol. ii, 215.

issues, if the war had not prevented any further commercial intercourse between the two countries.

It may be urged, as an objection to the whole of this reasoning, that a depreciated paper currency, as in the case of *assignats*, is necessarily attended with a discount; and that there is confessedly no instance of any discount upon the notes of the Bank of England. But though an excessive issue of notes not convertible into specie has always a tendency towards a discount, it will not in every case produce this effect. The currency of a country is then only in a correct and perfect state, when the real and nominal values of the medium of exchange are exactly equal. But between this full value and that degree of inferiority which occasions a positive and avowed discount there is a considerable interval; and the depreciation may be carried to a certain extent without affording this direct proof; because, in order to produce that effect, it is necessary that the difference should amount to a sum sufficient to repay, together with a profit to the merchant, the whole expence, risque or insurance which is incurred in the exportation of coin to the Continent. So long, therefore, as the issue of Bank of England notes is

confined within certain bounds, which it would be highly imprudent to exceed, it will be impossible to produce the proof of an actual discount in the exchange of gold and silver for notes of the same nominal amount. It will hereafter be seen that the Directors of the Bank of Ireland have transgressed these limits.

The presumption that the currency of England has suffered a depreciation, which has been deduced in these pages from a permanently unfavourable course of exchange, must acquire great additional strength, if it should appear, for certain reasons, that a favourable exchange with Europe is in the natural order of things, and a necessary result of the commercial relations of Great Britain. The importance of the subject may perhaps justify a more particular examination of this question than might in strictness be thought necessary for the purposes of the present inquiry.

There is no subject which has so much divided the followers of the old and new systems of political

economy as the question concerning the balance of trade. By the former, a constant reference is made to the state of exports and imports, and to the excess of the one above the other; the increase or diminution of the stock of gold and silver being regarded by them as the sole test of the profit or loss to the public which arises from any branch of commerce. On the other hand, the Economists, together with Mr. Hume and Dr. Adam Smith, have asserted that this manner of estimating commercial advantages is entirely mistaken, and founded upon that popular error which regards gold and silver as alone constituting wealth. They have shewn that the demand of every country for these metals is limited, and that every attempt to accumulate or detain a larger quantity is not only useless but impracticable. Upon these principles they have utterly denied the importance, and even the reality, of a balance of trade. The truth of this theory, as applied to commerce in general, has been established by the most satisfactory arguments. But the principle has perhaps been stated by these writers too universally; and sufficient allowance seems not to have been made for particular branches of commerce of

great magnitude and importance, in which an attention to the balance of trade may still be useful and necessary.

It is an obvious result of that theory, of which the principles have been thus shortly stated, that commerce, however flourishing, does not introduce any new quantities of the precious metals, beyond that small portion which is necessary for manufactures and annual consumption; and the supporters of the system have accordingly been at great pains to invalidate the proofs which have constantly been adduced of a great and increasing balance of trade in favour of this country. They seem to have failed altogether in this attempt: their opponents have successfully appealed from theory to facts; and these facts cannot be said to admit of any reasonable doubt. There seems now to be no question as to the reality of a constant influx of the precious metals from the continent of Europe. The probability of such an influx might perhaps be inferred from the greatness and extent of our manufactures, the superiority of our skill and industry, and our means of supplying the nations of Europe with commodities of a greater

value than those which it is found necessary to receive in return. But, independent of all probable reasoning, the fact of a favourable balance of trade seems to be established by the most decisive proofs of which the subject will admit.

The accounts from the Custom-house books have for many years past constantly agreed in representing a great superiority of the exports above the imports. Though the rates of valuation in these books are for several reasons very incorrect, yet there seems to be no doubt that the accounts have a certain relative accuracy, and are a sufficient approximation to the truth to justify any general practical conclusion of this nature; especially where these conclusions are supported by corresponding circumstances.

The course of exchange, which from the re-coinage of 1772 has continued very steadily and constantly in favour of England with almost the whole of the Continent, may be considered as a still more certain and, indeed, decisive criterion of the favourable balance of trade. During the ten years of peace, between the close of the former and the commencement

of the late war, the course of exchange with Hamburg, Paris, Cadiz, and Lisbon, and generally with all the great commercial markets of the Continent, was, in a greater or less degree, in favour of London; and continued in the same state till the foreign subsidies and loans, the great expenditures for corn, and other causes not connected with the ordinary course of commerce, disturbed that uniformity.

On considering the whole of that great commercial system which is carried on by Great Britain with every part of the globe, it will appear that there are circumstances essential to the existence of that commerce, which involve the necessity of maintaining a favourable balance with the continent of Europe. The great trade with the East Indies, enjoyed by this country almost to the exclusion of the rest of Europe, creates a vast annual demand for silver, which must be supplied by those countries where silver is produced, or by those to which it is forced by colonial laws and restrictions. The exportation of silver is the most lucrative branch of the Indian commerce, because it is that commodity which, with the smallest cost in Europe, will purchase the greatest quantity

of labour in China and the East Indies. It is the extraordinary profit attending this branch of export trade which constitutes the principal advantage of a commercial intercourse with those countries, and which must have chiefly contributed to enrich those nations which have successively enjoyed this commerce.

It is therefore a necessary part of the system of that country which possesses the greatest share of this branch of trade, to draw from the rest of the western world that supply of the precious metals, which is annually consigned to the East. The direct commerce with Spain and Portugal, the countries immediately connected with the American mines, is inadequate to this purpose; because those nations have not a sufficient demand for the manufactures of Great Britain: and recourse must therefore be had to the different nations of the Continent, among whom the annual produce of the mines is distributed by the commercial intercourse of Spain and Portugal with the other parts of Europe. It is the immediate consequence of this demand to produce a balance of trade and a favourable exchange

with the Continent; which must necessarily continue till the equilibrium of the precious metals is restored between the East and West, and till silver shall no longer represent a greater quantity of exchangeable commodities in India than in Europe.

So long as Great Britain continues to be the greatest manufacturing country in Europe, and to enjoy the monopoly of the Indian trade, the balance must continue in her favour with the Continent; unless some great revolution should remove the restraints on the commerce of the Spanish colonies in America. If that event should ever take place, and a direct intercourse should be established by Great Britain with Peru and Mexico, the balance of trade would in that case be brought to a level, and the average state of the exchange would be at par between England and the continent of Europe. But with the continent of America the exchange would then be as much in our favour as the whole amount of the expence of conveying the precious metals from thence to this country; which expence of transport, as has already been observed, appears to be that which, in all cases of a decidedly unfavour-

able balance, limits and regulates the rate of exchange.

If due attention is not paid to the peculiar circumstances resulting from the possession of the Indian commerce, the various facts relating to the state of foreign exchanges and the balance of trade must appear altogether inexplicable. It is the great and constant demand for silver produced by this branch of commerce, without mines to supply that demand, which imposes upon Great Britain the necessity of purchasing by means of her manufactures from the continent of Europe a large surplus quantity of the precious metals, to be exported again with a profit to those countries where they are deficient. When the subject is considered in these different points of view, it will appear that in one quarter of the globe our exports must always exceed our imports, and that in another our imports must exceed our exports; but that, in the aggregate amount of the commerce of this country with the whole of the world, the balance will be reduced on an average to the most perfect equality.

The conclusions which result from this examina-

tion of the effects of the Indian commerce upon the state of the exchanges with Europe will be found to have an immediate connection with the subject of our present inquiry. If the above reasoning is well founded, it follows as a necessary inference that, as the real balance of trade in the commercial intercourse of Great Britain with the continent of Europe is necessarily in favour of the former, an apparent balance against Great Britain, or an unfavourable exchange, must proceed from some extraordinary cause which disturbs the natural order of commerce. The necessity of great remittances or an unusual expenditure on the continent of Europe, will to a certain degree produce this effect; but, as such causes of irregularity are occasional and temporary, it may be safely affirmed as a general rule which must ever remain true during the existence of the present commercial system of Great Britain, that an unfavourable exchange *long continued* is alone a decisive proof of a deranged and depreciated currency.

There are two remarkable exceptions to that unfavourable exchange which, since 1799, has generally prevailed between London and those parts of Europe with which any commercial intercourse has been maintained. The course of exchange with Lisbon and Dublin has, within that period, been very much in favour of London, though it has at the same time been in a most unfavourable state with Hamburg and other parts of the Continent. It will be found, on considering the state of the currencies of those countries, that in both these instances the same cause has produced the same effect; and that the exceptions afford new proofs of the truth of the general principle.

The currency of Lisbon has been for some time carried on by a paper circulation issued by the Portuguese Government during the late war. It has, at different times, been very greatly depreciated in consequence of excessive issues; and the exchange has fluctuated according to the real, not the nominal, value of the currency.

The currency of Dublin, consisting of notes of the Bank of Ireland, appears to have been depreciated in a much greater degree than the currency of England, in consequence of the more profuse emission of the notes of that Bank. It will be seen from the accounts which at different times have been presented to Parliament, that the actual amount of Bank of England notes now in circulation exceeds the average quantity prior to 1797 by the addition of about one-half, being the difference between ten millions and a half and sixteen millions. During the same period, the notes of the Bank of Ireland have increased to upwards of *four times the amount of notes in circulation at the time when the Act of Suspension was passed*. In the space of six years the amount of that currency has been augmented from 621,917l. to 2,633,864l.*

This extraordinary increase of Bank of Ireland notes has produced a positive and acknowledged discount in the exchange of paper for gold; and guineas are regularly sold in Dublin for a premium. The

* See the account of Irish Bank notes in the Appendix.

decisive fact of a discount on Bank notes was distinctly admitted, in the debates of the House of Lords, by several of those Peers who defended the conduct of the Bank of Ireland. The same cause, to which this depreciation is to be attributed, has also affected in a most remarkable degree the state of the exchange; having in 1801 produced a loss of seven per cent. on all money remitted to London, and of 18 per cent. on the remittances from Dublin through London to Hamburg. The history of commerce does not afford a single instance of so great an irregularity in the exchange between any two countries, except in the case of a depreciated currency*.

Since the suspension of payments in specie at the Bank of Ireland, the exchange has, with the exception of the first year, been in a greater or less degree

* The derangement of the Irish currency is felt even in the transactions of Dublin with some of the provincial towns. At Belfast and in its neighbourhood Bank of Ireland notes have never acquired any general circulation. The currency is carried on either in specie or in the notes of private bankers payable in that manner. This difference between the currencies of Dublin and Belfast has produced an actual exchange between the two places in favour of the latter. Where payments are made at Belfast in Bank of Ireland notes, an additional amount is paid proportioned to the discount.

uniformly unfavourable to that country. But it appears that, under all the variety of circumstances affecting the commerce or the safety of Ireland during the course of the last twenty years, the balance of trade has never produced any considerable variation in the state of the exchange. There seems, upon the whole, to have been a very great degree of uniformity, the exchange having in some cases been one and a half per cent. in favour of London, which in other instances was compensated by an exchange in favour of Dublin.

A slight attention to the commercial relations of Ireland must satisfy us that this uniformly unfavourable exchange against Dublin must be in a great measure nominal, and that it can upon no intelligible principles have been produced by an actual balance of trade against Ireland. A *really* unfavourable exchange would imply that there had been, during all this period, a constant excess of imports above exports, and a constant remittance of bullion or specie to pay for the difference. Where a country does not possess considerable mines, such a continued remittance of the precious metals can only be made in consequence of corresponding remit-

tances from other countries; and it therefore implies a constantly favourable exchange in some other quarter. But Ireland has no regular course of exchange with any part of the world except through the intervention of England.

Since the year 1798, the exchange, upon an average, has been 5 per cent. against Ireland; and to this the depreciation of the English currency also must be added, in order to estimate the total loss which the people of Ireland and the English possessors of Irish property have suffered from this unfavourable exchange; because the exchange refers to the standard of the British currency, which, from the facts already adduced, appears itself to be in a degraded state. The rate of bullion is the only standard by which the degree of depreciation can be estimated under these circumstances; and it appears that the price of silver in Dublin has experienced a very great advance, having varied from 6s. 6d. to 7s. Irish currency,--- an increase which, estimating the mint price at 5s. 7d., is from 14 to 20 per cent.

There is so much difficulty in adjusting and regulating a paper currency, not limited by the power of

conversion into specie, that slight mistakes, or a small excess above the quantity which would naturally circulate, ought not perhaps to be very severely censured in those who have the management of such a circulation. In the performance of so arduous a task they would have entitled themselves to considerable praise from their very errors, if these had been immediately corrected, and if an excessive and improvident issue of notes had been followed by measures of greater prudence and caution. But the evidence of misconduct afforded by the transactions of the Irish Bank is too complete to admit of any reasonable doubt. The concurring circumstances of an excessive price of silver, of a high and increasing exchange against Ireland, and of an actual discount upon Bank notes, must have been felt and experienced in the daily and ordinary transactions of commerce; and these facts, in the mind of every man who was informed of the proceedings of the Irish Bank, must have immediately connected themselves with the enormous increase of the paper currency as the proper cause of the derangement. Yet, notwithstanding these proofs of a depreciated currency, the Directors of the Bank of Ireland have still persisted in maintaining the circulation of the present

high and unprecedented amount of their notes. It is impossible, under such circumstances, to acquit them of the charge of gross misconduct, even upon the ground of supposed ignorance and inexperience. An important trust, which upon mistaken principles of political necessity was committed to this corporate body by Parliament for the public benefit, appears to have been perverted to the private interest of the proprietors of their stock. An undue advantage has been obtained by the Bank, in the exact degree of the excess of their notes; but the loss and injury to the public, as in all cases of depreciated currency, has been in a much greater proportion. An indirect tax is thus imposed upon the community, not for the benefit of the public, but of individuals. It is levied in the most pernicious manner; and is of all taxes the least productive in proportion to the loss and inconvenience sustained.

If the expressions which have been used concerning the Directors of the Irish Bank should be thought harsh and severe, when applied to men who are respectable as merchants, and who probably discharge with propriety the duties of their private stations in society; it may be answered, that the observations

appear to be warranted by facts, and that they relate to the conduct of the Directors as a corporate body, and not to their characters as individuals. An appeal has been made on the present, as on similar occasions, to the personal merits of those who are the subject of the charge; but this defence, though in these cases perhaps the most frequent, is of all others the least conclusive and satisfactory. It is an unfortunate but most unquestionable fact, that the standards of public and private morality are in many minds extremely different; and that, when acting as members of public bodies, men are often found to acquiesce in measures and even to avow principles which they would acknowledge to be dishonourable in common life. The restraint of public opinion, one of the most effectual securities of human virtue, is much diminished on those occasions where we act in concert and conjunction with many others; and, as applied to the proceedings of corporate bodies, for which no individual member can be responsible, it seems to be altogether without influence. If to these considerations we add, that the transactions of the Irish Bank have hitherto undergone no public inquiry or examination, and that the account of their notes has now for the first time been required by

Parliament, we shall be at no loss to explain the reasons why the public conduct of the Directors has been so contrary to those principles of honour and good faith which they probably maintain in private life. "All men," says Mr. Burke, "possessed of an uncontrolled discretionary power, tending to the aggrandizement and profit of their own body, have always abused it; and I see no particular sanctity in our own times that is likely by a miraculous operation to overrule the course of nature."

Whatever may be our opinion respecting the propriety of continuing to the Directors of the Bank of England the present unlimited powers which they possess under the Act of Suspension, yet experience has clearly shewn that the Directors of the Irish Bank are altogether unworthy of this confidence; and that it is of the greatest importance to the commercial and monied interests of that part of the Empire that the currency of that country should no longer be exposed to a continuance of the present abuses.

The obvious and only true remedy of these disorders in the currency of Ireland is a return to the former system of payments in specie. But this re-

medy cannot with any justice or propriety be applied while the restriction of the Bank of England continues; since it would be very difficult, or perhaps impracticable, for the Irish Bank during this period to provide the necessary supply of specie. The only temporary expedient which it remains for the Legislature to adopt, is to fix some positive and effectual limitation to the issue of notes by the Bank of Ireland. But we have already seen the great difficulty of assigning any limit founded upon a supposed estimate or calculation of the quantity of circulating medium which the present state of Ireland would require. It seems therefore more safe and prudent to resort at once to a plain and practical rule, in the application of which there would be no difficulty or inconvenience. The measure proposed upon this occasion in Parliament was, *an obligation upon the Irish Bank to pay, upon demand, in notes of the Bank of England.* A regulation of this kind would impose upon the Irish Directors the necessity of restraining the issue of their notes, and of bringing them to the standard of the English currency, which appears to be much less depreciated than that of Ireland. It could not reasonably be complained of as an act of injustice towards the Irish Bank, which prior to the

restriction of 1797 was under the obligation of paying in the British currency of gold, and might now, with equal propriety, be called upon to liquidate its debts according to the present currency of this country.

The proposed regulation would not promote in any considerable degree the circulation of English Bank notes in Ireland, because they would for several obvious reasons be a very inconvenient medium of exchange in that country. It is for the same reasons indeed that they circulate at present so little in the distant parts of England, or in Scotland. Like the gold coin prior to 1797, they are the standard of currency in those districts, but appear very little in general circulation.

The obligation of paying in English Bank notes would unquestionably make it necessary for the Irish Bank Directors to narrow their discounts, and to limit the accommodations which they at present afford to the merchants of Ireland; and the public inconvenience which would result from this conduct of the Bank has been urged as an objection to the

proposed measure. This inconvenience might, it is probable, be sufficiently obviated, and any sudden shock prevented, by allowing sufficient time to the Bank for a gradual diminution of their notes*. If it should still, however, appear that some inconvenience is unavoidable, it could not reasonably be stated as an objection of any weight or importance. An inconvenience of the same nature, and of much greater extent, must be the inevitable consequence of the renewal of payments in specie, at whatever time that event shall take place. The regulation which is now proposed would be a first and preparatory step to that measure; and, by making the change more gradual, would diminish, or perhaps entirely prevent, the embarrassments which might result from a great and sudden diminution in the quantity of the circulating medium. It would at the

* A clause to compel the Bank of Ireland to pay upon demand in English notes was moved in the Committee of the House of Lords on the renewal of the Bill for the suspension of cash payments in Ireland; but in order that the diminution of Irish notes might be as gradual and attended with as little inconvenience as possible, it was proposed that the operation of the clause should not commence till six months after the passing of the Act.

same time have the effect of establishing one common standard of currency for the two great divisions of the empire*.

The advocates of the Bank of Ireland have attempted to defend the conduct of that public body, by attributing the acknowledged depreciation of the currency of that country to causes of a very different

* The irregularities in the currency of Ireland appear for some time to have attracted the attention of persons connected with the government of that country, and to have produced a suspicion of some errors in the conduct, or some defect in the constitution, of the Irish Bank. In order to obviate the evils which have been experienced, a proposal has been made for the consolidation of the two national Banks of England and Ireland. But, though this measure is said to have had the approbation of some distinguished characters, it is difficult to understand in what its public advantage would consist, or why it is more to be desired than an union of the chartered Banks of Scotland with the English national Bank. The proposal, and the favour with which it has been received, can be attributed only to a certain predilection which exists in some minds for great and splendid establishments abstracted from any consideration of their utility; but, like many other specious and imposing projects, it would probably disappoint the sanguine expectation of its admirers. The only plausible ground upon which such a measure could be recommended, would be its supposed tendency to

nature. They have asserted that the disorder so visible in the circulation and state of exchange is in a great measure to be ascribed to the extended system of Country Banks, and to the increased amount of that description of notes. It is however evident that the state of every inferior currency depends altogether upon the value of the general medium of exchange, which must regulate and restrain all others. It is thus that the paper of the Bank of England, prior to 1797, was limited by the means of its conversion into gold, and that all other paper is now restrained by the right of requiring payment in Bank notes. The notes of private bankers cannot by any increase of quantity be depreciated below the standard of Bank notes, since the excess would in that case be returned upon the issuers, who would be called upon to pay Bank notes in exchange. But, without insisting further at present upon this topic, it may be sufficient to observe that, whatever effect might be supposed to have been produced upon the currency of Ireland by the paper of Country Banks, the accounts lately presented to Parliament have deprived this opinion of all plausible foundation. The rapid and excessive augmentation of Irish Bank notes during the last six years is alone sufficient, without having recourse to any other hypothesis, to explain the whole of the effect produced; and it is rather a subject of surprise, that the depreciation in consequence of so great an increase of currency is not still more considerable.

increase the credit of the Irish Bank notes, and to restore their value in circulation. But it has been clearly seen, in the course of these pages, that an unlimited paper currency cannot be preserved from depreciation by any confidence in the solvency or means of payment of those who issue the notes, but solely by their prudence and caution. Upon the supposition of an union between the two Banks, the currency of that country must still remain under the management of the present Directors. But it would be difficult to shew how the extension of a great establishment and a more divided responsibility could have any tendency to improve the principles or conduct of its individual members; or in what respect an alliance with the Bank of England would produce in the Irish Directors a more judicious system of management, or a stronger sense of public duty. The countenance which the project of a consolidation of the two national Banks is said to have obtained in certain quarters will apologize for this note; though it is by no means probable that the proposed measure will ever be carried into effect, or that the English Bank Directors will consent to such an union.

The subject of Country Banks has been much discussed since the question of paper credit has assumed so interesting a form; and the general opinion, so far as it can be collected from speeches in

Parliament and the language of popular writers, seems on many occasions to have been unfavourable to them. Many of the supposed evils arising from paper circulation have been imputed to these establishments; and a hope has frequently been expressed that they should be made the subject of some species of legal restriction. The difficulty of framing any specific regulation upon this subject has been sometimes stated as the only reason why such a measure has not yet been proposed to the consideration of the Legislature. As the nature and effects of Country Banks seem to have been much misrepresented, a few very general remarks on their advantages may be permitted in a work on paper circulation, however obvious and familiar such topics may appear to persons who are conversant with these inquiries*.

It would be improper on this occasion to enter into any general defence of the principles of commercial freedom. Those principles have been repeatedly established by the most decisive arguments; and their good effects are so conspicuous in the com-

* The general advantages of Country Banks are candidly admitted, and are explained by Mr. Thornton in his Essay on Paper Credit, chap. 71.

merce and manufactures of this country, that they are usually admitted in theory even by those persons who contradict and desert them by their practice. It may in general be affirmed that the very existence of any particular employment and of any branch of trade in a state of freedom is alone a proof of its utility. The system of banking, like every other improvement by which labour is abridged, divided or simplified, is the natural produce of a refined and civilized state of society. It can arise only out of the public demand for such an employment of capital, and such a species of skill and knowledge; its success must depend altogether upon its utility; and it is profitable to the undertaker in the exact degree in which it contributes to the advantage or convenience of the public.

The proof of the beneficial effects of the banking system does not depend solely upon general presumption, but is established by an appeal to experience and facts. It is an error to suppose that this branch of employment is of late or sudden growth; it has gradually arisen in the natural course of commercial improvement. It is well known that long before the general establishment of regular banks, there

were in most market towns of England responsible tradesmen who gained a profit by drawing and discounting bills, and who found it their interest to establish a regular correspondence in London for this purpose. An important part of the banking business existed and was practised in these cases; but, being connected with some other branch of trade, the name of a banker was still wanting. During late years regular banks have been established in those places by persons who confine themselves to that branch of business. But it is a general maxim, confirmed by all experience, that skill is improved in proportion as labour is divided; and there can be no doubt that commercial transactions have been much facilitated and promoted by these establishments.

In a great commercial country, there is indeed the most obvious necessity for such a particular branch of industry, in order to carry on the payments either between distant places, or between the capital and the remote provinces. The tradesman applies upon these occasions to the banker, because the latter by means of his various connections and correspondents can either make a remittance to a distant part, or procure a payment from thence, with much

greater ease, expedition and cheapness than persons not engaged in that business; and a considerable degree of risque, delay and inconvenience is thus saved to individuals at a comparatively small expence. But the ease and expedition with which these pecuniary transactions are carried on, must evidently tend to facilitate all commercial intercourse, and must contribute in a peculiar degree to the advantage of the internal trade of the country, which of the different branches of commerce is in all cases the most important and most beneficial. In this view of the subject, it must appear that the advantage arising from the banking system is of the same kind, though produced by different means, as that which is derived from the formation of new roads or canals, or any other improvement by which communication is promoted or industry rendered more active.

The general benefits of paper currency are assumed in the present discussion, and most assuredly will not be contested by the advocates of the Bank of England. But it seems impossible that any extensive country can have the full advantage of a great paper circulation without the assistance of provincial banks. There appear to be several reasons

why a paper currency, which is issued by a National Bank, and is payable only in the capital, can never circulate with great advantage or to any considerable extent in the distant provinces. To the complete success of a paper circulation it seems necessary that there should be no considerable danger or apprehension of forgery, and that there should be the means of ready and immediate payment. But this degree of convenience and security can be found only in a paper currency which is issued and payable in the immediate neighbourhood, or within a moderate distance.

Forgeries are prevented by the care and vigilance which provincial banks by their local situation are enabled to exercise in their own immediate districts, within which their notes chiefly circulate. A National Bank can never exert the same degree of vigilance in distant provinces, even though its conductors had the same strong interest in the detection which is felt by individual bankers, who sustain the whole loss and discredit occasioned by suspicions of forgery.

Country Banks seem to be beneficial to the

public in another respect, by affording a security against many of the evils which are inseparable from a great paper circulation. In consequence of the very general use of bills of exchange the credit of different traders, their cautious or improvident conduct, and the general course of commercial transactions in each particular district, may be discovered with tolerable certainty from the state of its negotiable securities. From the nature of their employment bankers have the most effectual means of detecting the various practices of accommodation bills, of drawing and re-drawing, and other abuses to which the system of paper credit is exposed; and it is their own particular interest, as well as that of the public, that such transactions should be discouraged and prevented. The knowledge that such expedients for raising money are likely to be discovered, though it may not entirely prevent these practices, must evidently diminish their frequency.

The multiplication of Banks, as is observed by Dr. A. Smith*, instead of diminishing, greatly increases the security of the public. The circulation of notes being divided into a greater number of parts,

* Wealth of Nations, i. 498.

the failure of any one company becomes of less importance, and occasions less embarrassment. The competition of rival banks produces in all of them greater caution, and a more skilful and judicious management. It is indeed by no means improbable that the Country Banks have indirectly contributed to the success and security of the Bank of England, by rendering the Directors of that establishment more cautious and circumspect than they might perhaps have been under other circumstances.

A very numerous party have ascribed to the establishment of Country Banks a great part among the causes which have contributed to the late increase in the price of provisions. The charge appears to be founded upon the advantage which they afford to farmers and dealers, by assisting them with loans and credit, and enabling them to withhold their produce from market. It is impossible on the present occasion to enter at large into this topic. A very long work would be necessary to convince such reasoners of their error, since they are evidently unacquainted with the first principles of that science upon which they presume to judge. It may now be considered as one of the best established doctrines of

political economy, that the interests of the producer and the consumer do not really differ, and that it is the tendency of all speculations in articles of sale to produce a regular and uniform supply and to bring prices as nearly as possible to a state of equality. It will follow from hence that the interests of society must be promoted by increasing the means of pecuniary accommodation, and by affording a judicious credit, which may enable farmers and dealers to exercise their skill and judgment in the most unrestrained manner as to the time and mode of bringing their productions to sale with the greatest advantage. It may also be observed that every mode of employment by which time and labour are saved, and indeed all commercial improvements whatever, must contribute to general cheapness.

A supposed general depreciation of currency produced by the excessive issue of Country Bank notes, though it is not admitted by Mr. Thornton, has been strongly urged and insisted on by some of those who have defended the cause of the Bank of England. But it may be safely asserted as a general rule upon the subject of paper credit, that the circulation of all Banks is limited by the extent of their capital.

and the public demand for their notes. They can in no case transgress these limits without considerable danger. The contrary supposition will be found to involve the greatest absurdities. If Country Bankers really possessed this power, it must necessarily follow that there would be great partial depreciations; and that the value of the currency would vary according to the different degrees in which the due quantity of notes for circulation was exceeded by the bankers of different districts. But no such irregularities are, in fact, ever experienced. An excessive issue of notes by any particular banker is soon detected, if not by the public, at least by the interested vigilance of his rivals; an alarm is excited; and he is immediately called upon to exchange a very large portion of the whole of his notes in circulation for that currency in which they are payable. Such a demand is always attended with great loss, and often with total ruin; and the knowledge that such consequences may be expected will deter Bankers in general from making these experiments.

That Country Banks have been often established upon insecure principles, and that they have sometimes engaged in imprudent and improper specula-

tions, are facts which no reasonable man will deny. But to lay great stress upon such instances would be like producing the weekly lists of bankruptcies in London as arguments against the general advantages of commerce. It must always be remembered that from necessary causes the great majority of mercantile speculations are useful and profitable. There are unquestionably in all rich and commercial countries certain periods of enterprise and adventure in which either from want of information, or from some temporary circumstance, particular branches of trade are pursued too eagerly and carried too far. But as the error in such cases must soon be discovered, these irregularities can never be of any long continuance.

Some of the inconveniences which result from a paper circulation, when it extends to very small payments, and to the transactions between dealers and petty consumers, have been remarked in a former part of these pages. For such purposes it has been stated that the notes of neighbouring banks, as being more secure from forgery, will generally be preferred to any other paper currency. The notes being small, the quantity may be considerable, and

the circulation may appear to be excessive, though the whole amount may not be very great. But a prejudice may from hence very naturally arise in the minds of common observers, and a very exaggerated opinion may be formed as to the real amount of a currency of this description. But whatever may be the evils of this excessive paper circulation, it cannot be imputed to Country Banks; since it originates altogether in the restriction of cash payments, which has made it necessary to repeal the law which prohibited the issue of notes under the amount of five pounds. A return to the system of payments in specie, together with the renewal of this prohibition, are the true remedies of these inconveniences, and the only ones of which the case admits.

It has been strongly urged as a subject of charge against Country Banks that, by the occasional embarrassments to which they are exposed, they are frequently obliged to have recourse to the Bank of England for large quantities of specie, and that at different periods prior to February 1797 they occasioned very great inconvenience to that establishment by these sudden and unexpected demands. It seems indeed probable that the increased number of

Country Banks made it necessary for the Bank of England to increase its deposits of specie. But this is an inconvenience which seems unavoidably to result from a great extension of paper currency, and from the monopoly which is given to the Bank of England by the Legislature. In consequence of this monopoly the Bank is the only great deposit of gold in the kingdom; and it has undertaken the task of supplying the demands of the public for specie in return for the benefits enjoyed by means of its exclusive privileges. The real extent of this grievance has never been distinctly explained by the advocates of the Bank; and it has probably been much exaggerated. But it cannot with any justice be stated as an argument why either the Bank of England should be released from the obligation of performing its contracts, or Country Banks should on this account be made subject to legal restrictions. The sudden demands which were made upon the Bank during the late war appear to have arisen from political circumstances, and must have happened though no Country Banks had existed. When the causes which produced the stoppage of the Bank were investigated in Parliament during the session of 1797, it appeared from the evidence, and was distinctly stated by the reports

of the Committees, that the Imperial loans and other circumstances producing a great expenditure on the Continent had diminished the usual quantity of bullion at the Bank, and disabled the Directors from meeting a temporary alarm*. No material part of the embarrassment was then attributed to Country Banks, nor were they much the subjects of discussion in Parliament. It is indeed difficult to discover from what cause the present complaints and prejudices against them have originated, except from their supposed in-

* Mr. Thornton in his Treatise on Paper Credit has discussed at considerable length the causes of the embarrassment of the Bank, which he attributes in a great degree to the limitation of discounts, and the consequent restricted issue of Bank paper. He compares the crisis of 1797 to the difficulties experienced in 1793, in which it is well known that the issue of commercial Exchequer bills to the amount of about two millions and a half put an immediate end to the difficulties which were then experienced. But the two cases will appear on consideration to differ in some important respects. In 1793 a state of extraordinary commercial prosperity and confidence was suddenly checked by the war, and a violent shock was given to the paper circulation of the country. Several great failures took place in different parts of England: an universal panic ensued; and a great demand for cash or Bank notes was made upon the metropolis. But the Bank was compelled to restrain its accommodations, and limit its discounts by the general insecurity of the times. At this juncture Commissioners under the authority of Parliament gave a credit to responsible persons in want of immediate pecuniary assistance, which individuals or a commercial body could not

fluence on the prices of provisions, of all the charges which have been made against them the most groundless and unreasonable.

A due comparison of the advantages of Country Banks, which arise from the nature of the system, with their inconveniences, which depend entirely upon partial and accidental circumstances, may perhaps lead us to the conclusion that these establishments are, upon the whole, highly beneficial to the Public, and entitled to the protection of the Legis-

prudently have given; and the guarantee of Government enabled those who held it, to apply to the Bank for an extension of their discounts, which might then be safely granted on the security of the new Exchequer bills.---In the beginning of the year 1797 there were no great failures, nor any general apprehension of insolvency among commercial persons. But there was an alarm of invasion, and an apprehension of insecurity, which produced a discredit of Bank notes. In this state of opinion the public were not satisfied with any currency except gold and silver; and it is most probable that any new issue of notes by the Bank would have been immediately returned upon their hands to be exchanged for cash, and would have contributed to increase their embarrassment. The real nature of the grievance appears to have been fully understood at the time. No person then thought of proposing an issue of commercial Exchequer bills, notwithstanding the experience of their good effects in 1793. Yet if the diminution of Bank notes in 1797 had been occasioned by commercial insecurity, and not by a demand for specie, this was an obvious remedy.

lature; and that to suppress the circulation of their notes, or to restrict them in any manner tending to give an exclusive privilege to the Bank of England, would be as unjust and impolitic as to grant a monopoly of any other branch of skill and industry to any private merchant or company. When we consider the nature of the banking system, of all other branches of trade perhaps the most complex and delicate, and deriving its very essence and existence from the confidence of the public, it will probably appear that there is no subject upon which legislative interference would be more improper or more pernicious.

The advantages of a paper currency have in the course of this discussion been most fully admitted; but it has been shewn that these advantages altogether depend upon its being a just medium of exchange, that is, upon its being exactly equivalent to that quantity of the precious metals which would otherwise be employed for that purpose.

It remains only to recal the attention of the reader to the principal points attempted to be established by the present enquiry; the course of which has in some degree been interrupted by the consideration of several important topics not unconnected with the principal subject, but which may perhaps have been discussed at too great a length.

The whole of the preceding argument rests upon a few great and undeniable principles;—that the indispensable requisite and only true foundation of every just medium of exchange is *intrinsic value*;—that the precious metals have been selected for this purpose, as possessing this quality at all times and places in the greatest degree and with the fewest variations;—and that the establishment of a medium of exchange, either not really possessing, or not truly representing intrinsic value, is contrary to the first principles of justice.

The advantages of a paper currency have in the course of this discussion been most fully admitted; but it has been shewn that these advantages altogether depend upon its being a just medium of exchange, that is, upon its being exactly equivalent to that quantity of the precious metals which would otherwise be employed for that purpose. In order that it may possess this value, it is necessary that a currency of this description should in all cases be immediately and unconditionally convertible into specie. The power of this conversion is the only quality which can give it any just title to be considered as the representative of value, and the only

security against the abuses to which such a currency is exposed. Without such a power it is in constant danger of being depreciated by excess of quantity.

It has been stated that every depreciation of currency, by whatever means occasioned, must necessarily produce a corresponding effect upon all exchanges, and upon all prices. But as these are subject in general to great variations, the market price of bullion and the state of foreign exchanges have been selected, as furnishing in conjunction the most accurate criterion of the pure or depreciated state of a currency. If the depreciation is sufficiently considerable, it must in all cases be clearly discovered by these tests.

These general positions do not rest upon mere probability. They are consequences which must necessarily result from the nature of the subjects to which they relate; and they have all the force and effect of demonstration. The application of these principles to the particular cases which have been here considered depends altogether upon reasoning of a different nature; and, as the conclusion is drawn from a long deduction of facts, there may be room

for doubt as to particular inferences. Yet there appears on the whole to be such a concurrence of circumstances as to afford us all the assurance of which a subject, not capable of positive proof, will admit.

The principal steps and final result of this part of the argument may be thus shortly stated.—Since February 1797 the currency of this country has been carried on by a medium of exchange not possessing, and not truly representing, intrinsic value, and therefore capable of being depreciated by an excess of quantity. During the greater part of that time there have been the same variations in the market price of bullion, and in the state of the exchange, which ought, according to the above reasoning, to have taken place upon the supposition of a depreciated currency. Upon a reference to the several accounts of the amount of Bank notes in circulation, it is found that precisely those circumstances which our theory would lead us to expect, have in reality happened; and that there has within the same period been a great and corresponding increase in the quantity of that currency. It is a fact which tends very strongly to illustrate and confirm the truth of this reasoning, that upon comparing the

state of the exchange and of bullion with the amount of Bank notes, it appears that the effects have been proportioned in a most remarkable degree to the supposed cause;—that every successive addition to the notes in circulation has increased those unfavourable appearances in the exchange and price of silver from whence a depreciation was inferred; and, on the other hand, that the occasional diminutions in the quantity of notes have had an evident tendency to restore the value of the currency by improving the exchange and depressing the high price of bullion. From these circumstances and, above all, from the *permanent* effects which appear to have been produced upon the price of silver, and the state of the exchange, notwithstanding all occasional causes of fluctuation, it has been inferred, upon strong grounds of probability, that since the restriction of payments in specie in February 1797, and in consequence of that measure, the paper circulation both of Great Britain and Ireland have exceeded their proper limits, and that the currencies of both those countries have undergone a certain degree of depreciation; a fact which, with regard to the currency of the latter, is proved by evidence that is still more decisive.

Though the depreciation of the English currency is not sufficient to produce an actual difference in value between gold coin and bank notes in the ordinary transactions of commerce; yet its effect, though less perceptible, is no the less real or certain; and it must have contributed together with other causes to that general increase of prices and that diminution in the value of money which has taken place within a few years. The inconveniences which have resulted from hence are universally felt and experienced. The public creditors and that numerous class of society who subsist upon limited or stipulated incomes are injured in their property; the faith of contracts is indirectly violated, and those alone escape loss who have the means of augmenting their revenue in the degree in which the value of money is reduced. Yet these evils are to a certain degree unavoidable, even in those cases where the currency remains in a state of the utmost purity. The precious metals themselves, though the best practical standards of value, are far short of perfect truth and accuracy. In process of time, and during a course of years, they are subject to great variations. From the necessary effect of additional taxes, and the greater expence of subsistence, all

wages are gradually increased, and the same quantity of coin no longer represents the same portion of labour or commodities. That a great effect upon prices has been produced in this manner it is impossible to doubt. It is a fact much less certain, but by no means improbable, that a still further depreciation is imperceptibly taking place in consequence of an actual addition to the precious metals by an increased supply from the American mines.* Whatever may be the true mode of accounting for this evil, the fact itself is certain, and it has been experienced in a most remarkable degree in our own time and country; yet, so long as it arose from natural and necessary causes, however it might be lamented, it was an inconvenience not admitting of any practical remedy. But the effect of the present restriction of payments in specie is to aggravate this great and unavoidable evil by direct legislative interference.

* The supposition of an increase in the general quantity of the precious metals is proposed only as a probable conjecture, founded upon the acknowledged fact of a great advance of prices throughout every part of Europe in very modern times. It is to be recollected, however, that Dr. A. Smith in considering this question with reference to the greater part of the last century, has maintained a different opinion.

WHATEVER may be our opinion with respect to the force of this reasoning, as applied to the cases in question, or the degree of practical inconvenience which has been experienced in consequence of the restriction of cash payments; it seems impossible, after a due consideration of the facts which have been adduced in the course of this enquiry, to entertain any doubt respecting the general danger of an unlimited paper currency, or the injustice and impolicy of persevering any longer in that system.

A due regard to *general rules*, and especially to the great rules of property, forms a most important part of the duty of a legislator. They are the foundations of all private and political security; and the only means by which great principles can be effectually protected against rash speculation and hasty and inconsiderate judgments. A strict adherence to these rules, and a deep sense of their value and importance, is the great characteristic which distinguishes civilized nations, and which marks the progress of political knowledge and improvement. It has in general distinguished the legislative proceedings of our own country, and may be justly regarded as one of the principal causes of our national pro-

sperity and greatness. Yet a more extraordinary deviation from all general rules has never occurred than in that change in the system of our paper currency, which commenced in the Act of Suspension of 1797 and is still continued. A law to suspend the performance of contracts has been suffered to remain in force upwards of six years. A power has been committed to the Directors of the Bank, which is not entrusted by the Constitution even to the Executive Government; a power of regulating, in a certain degree, the standard of the currency of the kingdom, and of varying this standard at their pleasure. A precedent has been established, by which, upon any suggestion of temporary expediency, the whole personal property and monied interests of the country may be committed to the discretion of a commercial body not responsible to the Legislature, and not known to the Constitution.

This extraordinary measure, which originated in embarrassment and temporary difficulties, has been suffered to continue from mere inadvertence. Neither the Public nor the Legislature appear to have considered to what consequences such proceedings ultimately tend. Had Parliament been called upon to

authorize any of those direct frauds upon the currency which have often disgraced arbitrary governments, had it been recommended to them to raise the denomination, or to diminish the value of the current coin, there can be no doubt that such a proposal would have been rejected with indignation. Yet an abuse of the same nature has been established by law in this country. The power of reducing the value of the currency by a silent and gradual depreciation is more dangerous from the very circumstance of its being less direct and less exposed to observation.

The true interests of Government and the People are not really at variance. No advantage can possibly be obtained by the former, under any emergency, from any change in the system of currency by which the Public is injured. After the first momentary relief, Government, so far from deriving any benefit from such violations of established rules, is obliged, like other consumers, to increase its expences, to multiply its loans and taxes, and to adapt its revenue to the enhanced price of labour and commodities. But this is only a small part of the evils that have uniformly been experienced by those nations which have had frequent recourse

to such expedients. The abuse increases in strength, and a return to the former system is rendered more difficult by delay; public credit suffers; the revenue and resources fail; and what was at first a mere temporary accommodation becomes finally a permanent cause of national weakness and decay. The case which is here supposed is extreme; but every instance of a discretionary power by which the currency may be depreciated has this tendency and may ultimately produce these effects.

THE following Tables contain the monthly accounts of the course of exchange with Hamburgh, and of the market prices of standard silver, for some years past; and of the amount of English Bank notes in circulation since February 1797. The accounts of the latter have been taken from the returns made to Parliament at different times by the Bank of England, and include the notes under five pounds. There has been only one return of Irish Bank notes made to Parliament, in consequence of a motion during the present Session. This return is inserted at full length. The rates of exchange and prices of silver have been extracted from Lloyd's lists and the weekly returns of prices which are regularly printed in London. An early period in each month has been selected, except in a few

APPENDIX.

instances when the account has been taken from the second week, in order to insert the price of silver, which was occasionally omitted in the first. Where the price of standard silver was omitted throughout the whole of the month, the price in the following tables has been computed from that of new dollars by adding 2d., the real difference being $2\frac{1}{2}$ d. The prices of silver during the whole of the years 1800 and 1801 are computed in this manner.

The price of silver has been made choice of in these tables because it is a more regular article of commerce than gold, for which the demand is much less constant. The latter is often entirely omitted for a considerable time together in the weekly returns from which these tables have been collected. The market price of gold, which in common times hardly ever rises above the mint price, has at different periods since 1797 experienced a considerable advance. During the whole of the year 1800 the price of Portugal gold, which is of the same value as standard gold, continued steadily at 4l. 5s. per ounce, the mint price being 3l. 17s. $10\frac{1}{2}$ d.

The mint price of silver is 5s. 2d. per ounce.

The par of exchange with Hamburgh seems not to have been accurately determined, but is probably rather below 35. The par of exchange with Dublin is $8\frac{2}{3}$; with Paris it is about $29\frac{1}{2}$. The course of exchange with the latter place, from 1789 till all commercial intercourse was prevented by the war, has been inserted in these Tables; principally as affording one of the strongest illustrations of the manner in which the exchange with a foreign country was affected in the instance of *assignats* by a depreciated currency.

It is the general object of these Tables to shew that the advance in the price of bullion and the depression of the exchange have corresponded in a remarkable degree with the increased amount of Bank notes since the restriction of payments in specie. The great steadiness both of the course of exchange and of the price of bullion during ordinary times and in a regular state of commerce cannot fail to be remarked. The only exceptions to this uniformity prior to February 1797 are the high prices of silver and the unfavourable exchanges with Hamburgh during the years 1792 and 1795. The latter exception, which has been frequently alluded to in these pages, was occasioned by the great expenditures on

on the Continent. The irregularity during 1792, which is much less considerable, must have arisen from some circumstance in the commercial transactions of that period, of which there does not appear to be any satisfactory explanation; though the following is the most probable. It is well known, and it is particularly mentioned by Sir Francis Baring in his *Observations on the Establishment of the Bank*, that the French Government, at different times during the Revolution, used great exertions to obtain silver, at whatever price, from this country and other places in order to serve certain temporary purposes at Paris. There seems to be no doubt that the effect on the exchange and on the price of bullion at the time alluded to, was produced by some cause connected with the commerce of Great Britain with France; since it entirely ceased in February 1793 at the commencement of the late war.

Tables of the Course of Exchange, and Price of Silver, from 1789 inclusive.

1789	Hamburg.	Paris.	Dublin.	Standard Silver per Ounce.
January 6	34 10	28 $\frac{5}{8}$	8 $\frac{1}{2}$	s. 5 2
February 3	35	28 $\frac{1}{2}$	9	5 2
March 3	35 1	28 $\frac{1}{6}$	9 $\frac{1}{8}$	5 2
April 3	35 5	28 $\frac{1}{4}$	9 $\frac{1}{2}$	5 2
May 1	35 6	28 $\frac{1}{4}$	8 $\frac{1}{4}$	5 3 $\frac{1}{4}$
June 2	35 7	27 $\frac{7}{8}$	8	5 3 $\frac{1}{4}$
July 2	35 7	27 $\frac{9}{16}$	8 $\frac{1}{2}$	5 3
August 4	35 3	27 $\frac{3}{4}$	8 $\frac{3}{8}$	5 2 $\frac{1}{4}$
September 1	35 5	27 $\frac{3}{4}$	7 $\frac{3}{4}$	5 2 $\frac{3}{4}$
October 2	35 3	27 $\frac{1}{2}$	8	5 2 $\frac{3}{4}$
November 3	35 1	27 $\frac{3}{8}$	8	5 2 $\frac{3}{4}$
December 1	35	26 $\frac{1}{2}$	8 $\frac{1}{4}$	5 2 $\frac{3}{4}$

92

	Hamburg.		Paris.	Dublin.	Standard Silver per Ounce.	
	s.	d.			s.	d.
1790						
January	35	1	27 $\frac{3}{8}$	8 $\frac{1}{4}$	5	2 $\frac{1}{2}$
February	34	11	26 $\frac{7}{8}$	8 $\frac{5}{8}$	5	2 $\frac{1}{2}$
March	35	2	26 $\frac{5}{8}$	8 $\frac{1}{2}$	5	2 $\frac{1}{2}$
April	35	4	25 $\frac{1}{4}$	8 $\frac{3}{4}$	5	3 $\frac{1}{4}$
May	35	4	26 $\frac{1}{2}$	8 $\frac{1}{4}$	5	3 $\frac{1}{4}$
June	35	4	27	8 $\frac{1}{2}$	5	3 $\frac{1}{4}$
July	35	7	26 $\frac{1}{2}$	8 $\frac{1}{2}$	5	3
August	35	7	26 $\frac{3}{4}$	8 $\frac{7}{8}$	5	3
September	35	6	26 $\frac{3}{8}$	8 $\frac{5}{8}$	5	2 $\frac{1}{2}$
October	35	8	25	8	5	2 $\frac{1}{2}$
November	35	7	25 $\frac{1}{2}$	8 $\frac{1}{4}$	5	2 $\frac{1}{2}$
December	35	6	25 $\frac{5}{8}$	8 $\frac{1}{2}$	5	2 $\frac{1}{2}$

93

	Hamburg.		Paris.	Dublin.	Standard Silver per Ounce.	
	s.	d.			s.	d.
1791						
January	35	6	25 $\frac{1}{2}$	8 $\frac{1}{4}$	5	3
February	35	8	24 $\frac{7}{8}$	8 $\frac{3}{4}$	5	3
March	35	10	25 $\frac{1}{4}$	8 $\frac{5}{8}$	5	3
April	35		24 $\frac{7}{8}$	8 $\frac{1}{4}$	5	3 $\frac{1}{4}$
May	35	11	24 $\frac{1}{6}$	8 $\frac{5}{8}$	5	3 $\frac{1}{4}$
June	35	11	23 $\frac{1}{4}$	8 $\frac{1}{4}$	5	2 $\frac{3}{4}$
July	35	10	22 $\frac{5}{8}$	8 $\frac{1}{2}$	5	2 $\frac{3}{4}$
August	35	10	23 $\frac{1}{4}$	9	5	2 $\frac{1}{4}$
September	35	6	22 $\frac{7}{8}$	8 $\frac{1}{4}$	5	2 $\frac{1}{4}$
October	35	5	23 $\frac{1}{8}$	8 $\frac{5}{8}$	5	3
November	35	2	22 $\frac{7}{8}$	8 $\frac{1}{4}$	5	3 $\frac{1}{4}$
December	35	1	21 $\frac{3}{4}$	8 $\frac{1}{2}$	5	3 $\frac{1}{4}$

1792	Hamburg.	Paris.	Dublin.	Standard Silver per Ounce.
January 3	34 6	19 $\frac{1}{4}$	8 $\frac{3}{4}$	s. 5 4 d.
February 3	34 6	17 $\frac{3}{8}$	8 $\frac{3}{8}$	5 4
March 2	34 6	15 $\frac{1}{4}$	8 $\frac{1}{2}$	5 4 $\frac{1}{2}$
April 3	34 5	17 $\frac{1}{2}$	8 $\frac{1}{4}$	5 5
May 1	34 3	17 $\frac{1}{2}$	8 $\frac{1}{4}$	5 5 $\frac{1}{2}$
June 1	34 4	17 $\frac{1}{2}$	8 $\frac{5}{8}$	5 6
July 3	34 5	18	9	5 6
August 3	34 4	17 $\frac{1}{4}$	8 $\frac{7}{8}$	5 5
September 4	34	19 $\frac{3}{8}$	8 $\frac{5}{8}$	5 5
October 2	34 6	18 $\frac{1}{4}$	8 $\frac{1}{4}$	5 5
November 2	34 3	19 $\frac{3}{8}$	8 $\frac{1}{8}$	5 5
December 4	35 2	19 $\frac{3}{8}$	8 $\frac{3}{8}$	5 4 $\frac{3}{4}$

94

1793	Hamburg.	Paris.	Dublin.	Standard Silver per Ounce.
January 1	35 4	17	8 $\frac{1}{2}$	s. 5 4 $\frac{3}{4}$ d.
February 1	35 6	14 $\frac{3}{4}$	8 $\frac{3}{4}$	5 5
March 1	36 7	15	9 $\frac{1}{4}$	5 2 $\frac{1}{2}$
April 2	37 6	12	9 $\frac{1}{8}$	5 2 $\frac{1}{4}$
May 3	37 6		10 $\frac{1}{2}$	5 2 $\frac{1}{8}$
June 4	37 4		10 $\frac{1}{2}$	5 1 $\frac{1}{2}$
July 2	37 2		10 $\frac{1}{2}$	5 1
August 2	35 6		10	5 1
September 3	36		9 $\frac{1}{4}$	5 1 $\frac{1}{8}$
October 1	35 9		9	5 1 $\frac{1}{4}$
November 1	35 3		8 $\frac{1}{2}$	5 1 $\frac{1}{2}$
December 3	35 4		8 $\frac{5}{8}$	5 1 $\frac{1}{2}$

95

2501

96

	Standard Silver per Ounce.		Dublin.	Hamburgh.
	s.	d.		
1794 January 7	5	1½	8½	35 10
February 4	5	1¼	9	36 1
March 4	5	1	8½	36 4
April 1	5	1	8	36 5
May 2	5	1¼	8⅝	36 7
June 3	5	2	8½	34 7
July 1	5	2	8⅝	35 6
August 1	5	1	8⅝	35 10
September 2	5	1	8⅝	35
October 3	5	1	8¼	35 5
November 4	5	1	8¼	34 5
December 2	5	2	8¼	35

97

	Standard Silver per Ounce.		Dublin.	Hamburgh.
	s.	d.		
1795 January 2	5	2¼	8⅝	34 6
February 3	5	1	8¼	36
March 3	5	1	8¼	35 10
April 3	5	1	8¼	35 4
May 1	5	1	8¼	34 4
June 2	5	2	8⅝	33 6
July 3	5	3½	8⅝	32 10
August 4	5	4	8¼	32 4
September 1	5	5¼	8⅝	32 6
October 2	5	5½	8	32 10
November 3	5	5	8¼	32 10
December 1	5	5½	8⅝	33 2

1796	Hamburg.		Dublin.		Standard Silver per Ounce.	
					s.	d.
January 1	32	7	8½	5	5½	
February 2	33	6	9¼	5	5	
March 4	33	2	9			
April 5	34	8	9½	5	4½	
May 3	33	10	9	5	5	
June 3	34		10	5	4	
July 1	33	7	9¾	5	6	
August 5	33	11	10¼	5	3½	
September 2	33	7	10¼	5	4	
October 4	34		10¼	5	3½	
November 4	34	6	10¼	5	5	
December 9	34	10	10¼	5	5	

8

1797	Hamburg.		Dublin.		Standard Silver.		English Bank Notes.
					s.	d.	
January 6	35	6	10¼	5	4		L.
February 3	35	2	8¾	5	4		
March 10	35	8	9¼				
April 7	36	8	6½	5	6		
May 9	36	2	8½	5	6		
June 9	36	4	8¼	5	1½		
July 7	36	9	7¾	5	1½		
August 4	36	7	7¾	5	1½		
September 5	37	10	7	5	1		
October 6	37	8	7¼	5	0½		
November 7	37	10	7¼	5	0½		
December 5	38	3	7	5	0½		

11,103,880

10,828,880

11,642,400

02

1798	Hamburg.	Dublin.	Standard Silver.	English Bank Notes.
			s. d.	L.
January 9	37 11	8 $\frac{3}{8}$	5 0 $\frac{1}{2}$	
February 9	37 8	9	5 0	13,043,480
March 9	37 7	9 $\frac{1}{4}$	5 1 $\frac{1}{2}$	
April 10	37 8	9	5 1 $\frac{1}{2}$	
May 8	37 3	9 $\frac{1}{4}$	5 1 $\frac{1}{2}$	13,224,440
June 8	37 6	9 $\frac{1}{2}$	5 1	
July 10	37 10	9 $\frac{3}{4}$	5 1	
August 7	37 6	8	5 1	12,115,640
September 7	37 6	8 $\frac{3}{4}$	5 1	
October 9	37 10	9	5 0 $\frac{1}{2}$	
November 6	37 10	9 $\frac{1}{4}$	5 0 $\frac{1}{2}$	12,452,070
December 11	37 3	9 $\frac{1}{4}$	5 0 $\frac{1}{2}$	

1799	Hamburg.	Dublin.	Standard Silver.	English Bank Notes.
			s. d.	L.
January 8	37 8	10	5 2 $\frac{1}{2}$	
February 8	37 8	9 $\frac{1}{4}$	5 3	13,212,460
March 8	37 5	9 $\frac{7}{8}$	5 3	
April 5	37 4	11	5 3	
May 10	35 6	10	5 3 $\frac{1}{2}$	13,720,260
June 11	35 6	11 $\frac{1}{4}$	5 5	
July 5	35 10	11 $\frac{3}{4}$		
August 9	34 6	11 $\frac{5}{8}$		13,759,940
September 10	32 9	11 $\frac{3}{4}$	5 8	
October 8	32	12	5 8	
November 12	32 6	12 $\frac{1}{2}$	5 8	14,006,960
December 3	32	14 $\frac{1}{4}$	5 8	

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	Hamburgh.	Dublin.	Standard Silver.	English Bank Notes.
			s. d.	L.
1800				
January 7	32	13½	5 6½	
February 11	30 6	12½	5 8	15,120,060
March 11	31	12	5 9½	
April 10	31 6	11½	5 9½	
May 13	32 3	11¾	5 9½	15,213,520
June 6	31 10	10¾	5 9½	
July 11	32 3	10¼	5 9½	
August 12	32 1	11¼	5 9	15,230,410
September 9	32	12¼	5 9	
October 10	32 1	10⅞	5 9	
November 14	31 10	10¾	5 9	15,450,970
December 9	30 10	10¼	5 9	

103

	Hamburgh.	Dublin.	Standard Silver	English Bank Notes.
			s. d.	L.
1801				
January 6	29 10	11	5 10	
February 6	31 10	12¼	5 11	16,365,206
March 10	31 9	12½	6 0	
April 10	31 4	14	6 1	
May 8	31 9	14	6 1	
June 9	31 4	13½	6 0	
July 7	31 8	16	6 0	
August 7	31 4	14	6 0	
September 4	31 9	14	6 0	
October 6	32 6	13½	6 0	
November 6	32 5	11	5 11	
December 11	31 10	11	6 0½	

No account of the Bank notes in circulation appears to have been presented for this year subsequent to March 25.

1802	Hamburgh.	Dublin.	Standard Silver.		English Bank Notes.
			s.	d.	
January 8	32	11½	6	0½	L.
February 5	32	12	5	11½	
March 5	32 3	12¼	5	11½	15,956,016
April 9	33 4	13	5	9½	
May 7	32 7	11½	5	9½	
June 8	33	12½	5	9½	16,747,300
July 6	33 1	12¾	5	6½	
August 10	33	11½	5	6½	
September 7	33 3	12¼	5	6	16,141,636
October 1	33 5	12	5	6	
November 5	33 5	12	5	6½	
December 3	34	12	5	7	15,838,410

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1803	Hamburgh.	Dublin.	Silver in Bars.		Bank Notes.
			s.	d.	
January 4	34	12	5	7	L.
February 4	34 3	12¾	5	7	
March 4	34 6	13¾	5	7½	16,108,560
April 19	34 2	14½	5	8	
May 3	34 4	14½	5	8	

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*Gold has been at 2 before the
 as before. An exchange to minister
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Account of the Amount of Bank of Ireland Notes in Circulation at different Periods (including Bills under 5l.) presented to the House of Lords, pursuant to an Order dated February 1803.

	L.		L.
1797		1802	
January 1	621,917	June 1	2,678,980
April 1	737,268	August 1	2,628,958
June 1	808,612	October 1	2,528,951
September 1	959,999	December 1	2,530,867
			106
1801		1803	
April 1	2,266,471	February 1	2,633,864
May 1	2,405,214		
June 1	2,350,012		