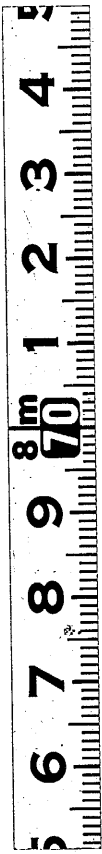


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REMARKS  
ON  
CURRENCY AND COMMERCE.

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By JOHN WHEATLEY, Esq.

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## PREFACE.

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THE following Work is written to elucidate the principles of National Wealth, which, notwithstanding the inquiry of Dr. Adam Smith, appear to me to be insufficiently understood. Though his work be more luminous on this subject than that of any other author, it has had no influence to effect an alteration in our policy.

The Balance of Trade is the system by which we have been hitherto supposed to acquire our wealth. It necessarily, therefore, presents itself as the first object of attention in these Remarks. I am well aware of the difficulties that attend its discussion. The late Mr. Irving\*, whose talents were devoted to the study of this subject, acknowledged that there were few questions, to which the human attention could be directed, more difficult to form an opinion upon than this. Mr. Hume and Sir James Steuart were equally sensible of its intricacy. I trust, therefore, that

\* Vide Report of the Secret Committee of the House of Commons, page 111.

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some allowance will be made for the errors which I may have committed.

The subject of Currency is so intimately connected with that of Commerce, that one can scarcely be considered without the other. From Mr. Thornton's essay on Paper Credit I have received considerable assistance. It is written with ability and spirit; and, though by the course of my argument I am led to a different conclusion on the policy of circulating the paper of country banks, it is with great diffidence that I offer an opinion against such high authority.

I am conscious that this inquiry, from the complicated nature of the subject,

subject, must be in many instances defective; but I offer it to the public much more as the Prospectus of a future Work than as a distinct Treatise in its present shape.

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ON THE  
UTILITY OF MONEY.

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CHAP. I.

PREVIOUS to entering upon the subject-matter of this work, it is necessary to explain the fundamental principles upon which its future reasoning is grounded. Most of the errors in our present commercial and financial system, appear to me to arise from a mistaken opinion of the Utility of Money; money and wealth have always been used as synonymous terms; and as the principle, that an increase of money constituted an increase of wealth, seemed too obvious to the understanding to admit of investigation, our policy has hitherto been exclusively directed

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to its accumulation as the only means of advancing our opulence. This policy has been examined at great length and with great ability by Dr. Adam Smith; but as his inquiry into the properties of money was not sufficiently minute to impress general conviction, his examination has had little effect to divert our policy to the true object to which it should be directed for the augmentation of our wealth, the increase of produce, and not the increase of money.

To give our policy this direction is the purport of the following work.

The fundamental principles, which I shall endeavour to establish, have already been partially advanced by prior authors, and particularly by Mr. Hume in his political tracts: his opinions have been canvassed by Sir James Steuart, the principal supporter of our present system, upon whose arguments I shall offer some observations at the close of the chapter.

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The fundamental principles which I shall attempt to prove are these:

That an increase of the national stock of specie is an increase of currency, and not of capital.

That an increase of currency is not an increase of wealth.

And that no one nation can possess a greater relative currency than another.

The exclusive Utility of Money consists in its properties as an universal measure of value, and an universal medium of exchange. As it forms the universal measure of value, every one estimates his capital by the quantity of money it is worth. A merchant says of himself, that he is worth forty thousand pounds, or a hundred thousand pounds, because the capital, of which he is possessed, is capable of being converted into such a sum at his option, and not because it actually

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consists of so much money: the person of landed or funded property, when speaking of his collective wealth, always makes the same remark; and though from the quantity of currency in the country, and from the average demand for the capital which he possesses, there exists a facility of his making the conversion at his pleasure; yet at the time that he makes the assertion, he has not perhaps twenty pounds of cash in his possession. No individual, when he is asked the question of what he is worth, enumerates his lands, his houses, his stock, his mortgages, or whatever may be the nature of his property, but immediately mentions the sum, into which the whole of his property may be converted; and unless he estimated it by this universal measure of value, he would not be understood.

It is this property that constitutes the peculiar use of money, as it enables us to compute the value given, and the value received, to ascertain the equivalency of exchange through

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through the various relations of society. The wages of labour, the profits of stock, and the commercial interchanges between nation and nation; are exclusively estimated at their proportional value by this measure. To maintain the uniformity of the measure is the constant effort of every individual, and of every nation; and in a subsequent part of this work I shall endeavour to point out the means which are taken for this purpose.

It is this property that peculiarly adapts it for a medium of exchange. But as the only Utility of the Money is for the exchange, immediately that one capital, or some portion of a capital, is sold, another is bought. No one keeps the money beyond the opportunity of making the conversion to most advantage. If any person were desirous of exchanging his estate in one country for an estate in another, for the purchase of government securities, or for the discharge of claims, the purchase money would be instantly applied to the purpose for which the exchange

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exchange was made, and instantly re-appropriated to the general circulation of the country.

But from these united properties of money, as a measure of value, and a medium of exchange, we usually affix the idea of the real possession of so much money, when we talk of the capital of an individual; and so familiar is the custom, that we seldom advert to the specific property of which it actually consists; we even find it difficult to divest ourselves of the idea, that it does not really consist of money. The customary terms of conversation imply, that we think more of the money than the money's worth; we say of a rich man that he has a great deal of money, and of a person becoming so, that he is getting money, without adverting to the money as a measure of value, but thinking at the time that it actually constitutes the wealth of which we speak. From this familiar habit of expression we are inadvertently led to infer that money constitutes the

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the capital of an individual, and thence that it constitutes the capital of a nation.

When we speak of the commercial as the monied interest, an opinion is always implied, that their capital consists of money. But though the capital of the merchant is more frequently converted into money, than the capital of the land proprietor, yet in this, as well as in every other instance, recourse is only had to this medium for the purpose of enabling him to exchange his existing property into property of another shape with more facility. It is no longer retained in money than is correspondent with his interest; and as pending its continuance in this state there is a total suspension of profit, its detention is not likely to be of long duration. No capital is ever converted into this medium for the purpose of being permanently retained in a mass of money. Among the annals of domestic narrative two or three solitary instances of an eccentric character are recorded, where a miserly being has converted

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verted his property into specie, and hoarded it in treasure for partial consumption, as the paucity of his wants required. But I think I may venture to assert, without any great probability of a violation of truth, that no such character now exists; or at least the instance must be so rare, that it cannot be said to militate against the general conclusion, that the capital of no individual in the country is retained in money.

I admit that the existing stock of specie, at any given moment, constitutes the capital, or a portion of the capital of many individuals; but it is discharging the functions of currency at the time that it forms them. The same money which constitutes the capital of an individual merchant at one moment, in the space of a short time may constitute the capital of five hundred;—and the comparatively small sum of ten millions, may be capable of answering all the necessary purposes of circulation in a great commercial city, where the aggregate capital of the inhabitants

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habitants may be of the value of two hundred millions, and may form, by turns, the capitals of all.

Though large sums of money are necessary for moving the more important transactions of trade, their magnitude does not alter the nature of money, and convert it into capital, because it is occupied in circulating the materials of the merchant, when it is acknowledged to be currency in circulating those of the retail trader. The transit of large sums from hand to hand, is as rapid in the city of London, as the transit of smaller sums in the inferior transactions of the country village: and though it may constitute the capital of many individuals in its transit, it is not more stationary in the one instance than in the other. The detention of money in a state of stagnation for the formation of capital, is obviously without foundation; no one would retain it for the improvement of his property, as money is incapable, like produce, of being worked into

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into profit, or exchanged to advantage: and no one would retain it for expenditure, as expenditure, however gradual, must eventually lead to its consumption.

The Utility of Money consists exclusively in forming the measure of value, by which all property is estimated; and the medium of exchange, by which one property is transferred for another. For this purpose it was invented; and in the discharge of these functions, the whole existing specie of the world is, without any stagnation, in the form of capital invariably occupied.

But there is one exception to this argument.—The active capital of society consists in its productive stock, and the income of society in the produce arising from it. Money in a state of currency can form no part of either the one or the other: but in their mineral state, the precious metals may form a portion of both. Gold and silver mines may certainly constitute a large component part  
of

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of the productive stock of a nation, and may yield by their produce a considerable income. But the immediate produce of bullion from the mine has no common properties with money in a state of circulation: it is precisely similar to all other merchandize, influenced by the same causes, and regulated by the same principles. It does not form a medium of exchange, for which an equivalent has been given, and for which no more than an equivalent can be received, and act solely as agent for the transfer of commodities, but it is an original produce, for which no equivalent has been given; and which, like the iron and lead that issue from their respective mines, affords a clear gain, exclusive of the expence of production.

Money, in a state of currency, has no power to augment the wealth of a nation. Its sole occupation is to exchange, not increase, the produce and productive stock of society: and, though it forms as it circulates,  
the

the whole or a portion of its wealth, yet as it is invariably bought and sold for its equivalent, it has no power of adding to its opulence. But bullion from the mine may considerably augment the wealth of a nation; for though it may be coined into money, for the purpose of constituting the internal circulation of the country to which the mine belongs, from a misconception of the principles of national wealth, yet, as the interest of individuals never fails to defeat such a project on the part of government, by exchanging it for additional produce, it augments in proportion to this addition the wealth of a nation.

If then it may be inferred, from the foregoing observations, that all the specie existing in a nation must be appropriated to the purposes of circulation; that it constitutes currency, and not capital; it follows as a necessary consequence, that an increase of the national stock of specie must be an increase of currency.

I shall

I shall now therefore endeavour to prove, that an increase of currency is not an increase of wealth.

Every individual is sensible, that if he possessed so much money, he could command so much produce; and if he possessed so much more money, that he could command so much more produce: and it may be naturally concluded, that, what is true of an individual, must be true of the collective body; and that an increase of money in a nation, must be an increase of wealth. But as in an increase of currency all acquire in the same ratio, unless obstructed by existing contracts, no one will be in a better relative situation than another; no one will receive a greater or less quantity than that proportion, which is competent to maintain him in the same relative position in society. The great Utility of Money is its property as the measure of equivalency. Mankind find out with ready facility whether the money they obtain for their labour or produce



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duce can measure the same quantity, or command the same quantity of the necessaries and luxuries of life, which they have been accustomed to receive for it. Their wages or their profits are the measure of that quantity, and no one will submit to an alteration of the measure to his own detriment. No one will suffer his produce to be sold at the same price, when the produce of another is advanced, as it would confound the equality of exchange, and prevent the same quantity of money from being the measure of equivalency between the respective produce of the one, and the respective produce of the other, by making more of the one exchange for less of the other than previous to the augmented currency. The price of all things, therefore, soon becomes commensurate with the increase; and the existing relations between man and man are unalterably maintained in the same state, though all receive a greater nominal income.

If there were a general increase of currency in this country to such an extent that  
all

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all could receive as many guineas as they now receive shillings, no one would be in a better relative situation than he is at present. If the peasantry of the country received as many guineas a week, as they now receive shillings, and the gentlemen of property received as many guineas a year, as they now receive shillings, the gentleman and the peasant would still continue in the same relation to each other: and though guineas would be circulated as shillings, no one would receive more for his guinea, than he now receives for his shilling. Money can be of no greater value than the produce for which it will exchange; and if one piece of money would exchange for the same produce as another, they must necessarily be of the same value. The livre in France was once circulated at the value of an English pound, and is now circulated at the value of an English tennepence: but as it will now only exchange for a four and twentieth part of the value for which it would have formerly exchanged, no one is now richer in the possession of four  
and



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and twenty, than he would formerly have been in the possession of one. Four and twenty form the measure of value, where one formerly sufficed; and all produce is now estimated at four and twenty, which was formerly estimated at one.

It is thus, that a nation may be just as rich with a currency of five millions, as with a currency of fifty. The greater or less quantity is no criterion of its wealth. The wealth of a nation consists in the aggregate produce arising from its productive stock; for the equal interchange of which, between man and man, money forms only the measure of value; and whether five pieces, or whether fifty pieces, constitute the measure for the same quantity of produce, is of no consequence. If a nation grew more produce with a currency of five than with a currency of fifty, it would, in proportion to the excess, be more opulent: and, in that case, the five millions would be worth more than the fifty; as any given proportion of the

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the five would exchange for a greater quantity of produce, than a similar proportion of the fifty, and exchanging for more would be of more value.

As money is exclusively appropriated to exchange, and does not participate in the nature of produce which is grown for consumption, an increase of money, retained for internal circulation, has no effect, like an increase of produce, to augment the wealth of a nation. The greater the quantity in circulation, the lower will be its standard as a measure of equivalency, the greater will be the quantity given in exchange between produce and produce, and the higher will be the price of all things. But as an advance in the price of produce, and a reduction in the value of money, are synonymous terms, an increase of money has no other effect than to cause its own depression: this effect was sensibly experienced in the reign of Elizabeth, when the remittances from America considerably augmented the currency of Europe,

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rope, and proportionally added to the specie of this country in common with the rest. But this increase had no other operation than to raise the price of produce, and augment the nominal incomes of all, without making any addition to their real opulence, as their incomes exchanged for no more subsequent to the increase than before it, and exchanging for no more, could be of no greater value. The leading characters of her reign were so well aware of this circumstance, that in the instance of leases from colleges, a reservation was made of a third of the rent in corn, in order to prevent their impoverishment by the receipt of a fixed money rent from a further alteration of its value, which a further increase would have necessarily effected. The beneficial consequences resulting from this policy have been too repeatedly noticed by other authors to require any comment from me.

It is imagined by some, that an increase of currency gives a stimulus to industry by a  
partial

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partial advance of prices; but it appears to me to have no such effect. The wages of labour would be only augmented in proportion to the increase, and would purchase no greater quantity of produce after the augmentation than before it. As no greater stimulus would therefore in reality exist, no greater effect is likely to be produced by the deception. That Europe is advancing in opulence there can be no doubt, but not from this cause. Spain is conclusive testimony, that it does not necessarily conduce to national industry; nor are there any means by which it can have this effect. As all the specie retained in a nation must be appropriated to the purposes of circulation, if an increase of money be effected without an increase of produce, it must be occupied by the produce already existing, and make a proportionate advance in its price, without any power to augment its quantity. If our Cornish mines could produce annually a million of money, there is no doubt but that the proprietors would be the richer by the equivalent

*The money would be removed to some other country*

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valent which they procured; but the nation would not be so, as it could procure no equivalent, unless the additional sum were exported for additional produce. If it were retained for internal circulation, as it could obviously occasion no instantaneous increase of produce, and as it would not remain in a state of stagnation till the proportionate increase were effected, it must be necessarily occupied by its existing produce. A partial rise would take place in the price of all things, unless twenty times its value could be instantly procured, or whatever be the quantity of produce necessary for the occupation of such an increase of currency at the existing prices.

If then the currency of a nation be augmented to any extent, and retained for the purpose of internal circulation, no additional wealth would be attained, as any given proportion of the augmented currency would exchange for no greater quantity of produce, than a similar proportion of the currency that

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that existed previous to the augmentation. There is therefore no foundation for the supposition that an increase of currency constitutes an increase of wealth.

But immediately that any one nation should collect to itself such a quantity of currency, as to have a tendency to circulate its produce at a higher price than others, foreign produce would be attracted by the advance in its market, and take off the surplus currency; which leads me to an examination of the third position, that no one nation can possess a greater relative currency than another.

There is the same exertion among nations as among individuals to maintain the uniformity of the measure of value, whether money be depressed or elevated by an increase or reduction of currency. I before observed, that no individual, in the same nation, would submit to a material depression in the estimate of his labour or produce in any instance  
where

*He may get more money without  
being able to procure more of  
the necessaries of life the effect  
of taxes is not attended  
to*

where he could procure a better market. If a general increase of currency were effected, the peasant or manufacturer would not sell his labour at one place for less, if by removing to another, he could sell it for more of the necessaries of life. \* He would naturally go, if no impediment obstructed his removal, where his labour was most highly estimated. This attention to individual interest, has a constant tendency to promote an equalization of the wages of labour, and prevents their elevation at one place considerably above their standard at another.

The same attention to individual interest prevents any particular produce from exchanging at one place for more value than it does at another in the same country. As money is the measure of the value of other produce which it is capable of procuring in exchange, the proprietor will naturally convey it where it will sell to most advantage. It is impossible, that wheat could be at ten shillings a bushel at Oxford, and at fifteen shillings

shillings a bushel in London; as long ere this difference existed, the wheat of Oxford would have been conveyed to London to equalize the price, and rectify the measure of value. It is impossible, therefore, that any local rise could exist in the price of produce, or that any particular town or district could possess a greater relative currency than others in the same country, as it must necessarily create a partial rise. Wherever there was a tendency to this excess, the produce of remoter districts would be attracted by the advance of its market, and draw off the surplus currency. The disposition to buy cheap, as well as to sell dear, would make the possessors of the money as ready to part with it to their advantage, as the possessors of the produce to procure it for theirs.

The uniformity of the measure of value is thus maintained, and the same commodity is made to exchange for the same quantity of other produce in every part of the kingdom. Whether, therefore, currency, increase, or decrease,

crease, whether prices be advanced or depressed, money still maintains its property as a measure of equivalency. There must be a greater or smaller number of pieces given, in proportion as it is augmented or reduced; but the same number would notwithstanding be given, in both instances, for the same produce in every part of the country.

I do not mean to contend that no difference can exist in the price of the same produce at any two distinct places; but that the general attention of all to their individual interests, has a tendency to approximate them so nearly to an equality, as to prevent much difference beyond the expence of conveyance. The difficulties of conveyance must always make a certain difference. In commodities that are either of great bulk, or are easily perishable, there must always be some variation, as there are no means of conveying them from the place where they are cheapest, to the place where they are, on this very account dearest, without great expence; and this expence must be necessarily included

included in the price. But as this difficulty is only experienced in a few commodities, and as all other produce, by the emulation of individuals to take advantage of a rise in the market, is nearly sold at par in every part of the kingdom, it follows as a necessary consequence, that no one district can possess a much greater relative currency than another.

*+ This would be true if rise of price could only be occasioned by*

But for the same reason, that no one particular town or district can possess a greater relative currency than another, in the same country, no one nation can possess a greater relative currency than another, in the world at large. If by a partial increase of currency in a particular country, its prices were advanced above the prices of other nations, foreign produce would be attracted by the rise in its market and draw off the surplus currency. ✕ In the commercial intercourse between nation and nation, money is in the same manner the measure of equivalency as in the domestic intercourse between man and man. The facility with which the reciprocal

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cal communication of nations is carried on, has a necessary influence on the markets of all, and approximates the price of their produce to a general level. If it be found that a particular commodity could purchase only five pounds weight of silver at home, and could purchase six pounds weight of silver abroad, it would naturally be sent abroad for the most favourable exchange. Not only foreign produce would be attracted to the country possessing the redundant currency by the advance of its market, in order that it might sell dear; but its money, notwithstanding the prohibitions of government, would be clandestinely exported, in order that it might buy cheap. The same attention to individual interest, therefore, will cause the same exertions among nations, as among individuals, to equalize the standard of money, as the common medium of measurement.

But there are two causes that operate in the commercial intercourse of nations, to prevent

*+ Prohibition is a third*

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prevent a complete equalization of prices in the same produce; the difficulties of intercourse on account of the distance, and on account of restrictions on the freedom of trade. ✖ The difficulties of intercourse, from distance, cannot create so great a difference in the circulating price of any given commodity in any two distinct nations, as to afford an extraordinary profit to the merchant who transported it from one country to the other. The competition of nations has subsisted too long to afford any extravagant profit above the common mercantile commission; but the disabilities of trade, arising from prohibition, may make an essential difference in the price of the contraband goods. During the late scarcity, from the restrictive regulations of France, the price of wheat in London was nearly double the price in Paris, which could never have subsisted, had the freedom of intercourse been permitted. But though the difficulties of conveyance, and the prohibitions of government, create a necessary variation in prices proportionate to their

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their extent, yet, uninterrupted by these disabilities, the action of money, directed by individual interest, has an uniform tendency to make any given quantity of the same produce exchange for the same value in every part of the world.

In order to shew the impracticability of accumulating a currency in one country, above the relative currency of others, it is only necessary to examine the effect which this attempt has produced in the instance of Spain. Spain has annually received from her American mines between three and four millions of pounds sterling for these last two centuries, and has made every exertion in her power to retain them for her internal circulation; but, notwithstanding her restrictive system, she now possesses a less currency than any nation in Europe. The currency of England has been estimated at forty millions of specie; but I shall hereafter endeavour to point out the inaccuracy of this calculation; the currency of France at eighty; and

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and the currency of Spain at \* ten millions of pounds sterling; but, had her prohibitory regulations been attended with success, her circulating medium would have now amounted to many hundred millions instead of ten. But as soon as it was perceived that she had a tendency to circulate her produce at a higher price than other nations from her redundant currency, foreign produce was attracted by the rising market; and, notwithstanding the vigilance of government, the Spaniards always found means to part with their specie, when they could exchange it for a greater quantity of foreign than home produce. So long as there is no one who would give a guinea for a commodity at home, which he could procure from abroad, by giving only a shilling, all restrictions to compel a nation to detain its specie, must ever prove totally ineffectual.

Self-interest is the most powerful spring of human actions; and when the regulations

\* Vide Mr Arthur's Tracts, page 293.



of government counteract this principle, the most arbitrary power is incapable of enforcing their observance. The prohibitory laws of Spain were unproductive of their desired effect; the surplus of her currency, that excess which would have enabled her to have circulated her produce at a higher price, was annually divided among other nations, by the import of foreign merchandize; and instead of being occupied by her existing produce, and operating to no other purpose than its own depression, it was annually exported for an increase of produce; and in proportion to that increase, augmented the wealth of the country. Her own interest combined with the interest of other nations to prevent the appropriation of the annual supply to her internal circulation. The detention would have produced no other effect than the depreciation of its value; and to avoid this deterioration of their property, was as much the object of every individual in the country, as it was the object of its government to enforce it.

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In every instance, therefore, where a similar supply is imported, a similar effect must ensue. It cannot be added to the circulating medium of a country, as it would carry the prices of its produce considerably above the produce of other nations, and confound the measure of equivalency. It cannot increase its produce, as the increase cannot be instantaneously effected; and as money will not rest in a state of stagnation till the augmentation take place, it can only be appropriated to the purchase of foreign produce, and exported to the country where it will exchange to most advantage.

If these observations be correct, it follows as a necessary consequence, that no one nation can possess a greater or less currency than its due proportion; than that proportion, which is competent to circulate its produce, as nearly as possible at par with foreign nations. That in whatever instance it should be augmented above this proportion, foreign produce would be attracted by the advance



*He forgets that in a country  
 highly taxed the proportion of  
 tax which forms a ~~considerable~~ part  
 of the price of each commodity  
 makes a  
 very strong  
 demand on  
 of course  
 must be  
 only is ne-  
 quired to  
 calculate  
 the ~~total~~  
 quantity  
 of ~~commodities~~*

advance of its market, and take off the sur-  
 plus currency. That in whatever instance  
 it should be reduced below this proportion,  
 foreign bullion would be attracted by the  
 cheapness of its market, and supply the re-  
 quisite addition; and that no permanent vari-  
 ation can be effected in the value of money  
 to prevent its universal agency as a common  
 measure of equivalency.

Though the restrictions of government  
 have had no effect in obstructing the export  
 of specie in the shape of coin or bullion,  
 when it was the interest of individuals to  
 export it; yet the regulations that were found  
 necessary for the prevention of frauds in  
 coinage, have disqualified the current coin  
 of one country from becoming the cur-  
 rency of another. But the quantity of  
 specie in this, and every other country,  
 would have been precisely of the same amount  
 if the currency of each, instead of being at-  
 tempted to be confined to the partial circu-  
 lation of the nation, whose stamp it bore,  
 had

had partaken of the general circulation of  
 the world, and without being regarded as  
 the exclusive property of one, had been in-  
 discriminately admitted in all. The prohi-  
 bitory regulations which the governments of  
 Europe have established, would have perhaps  
 never been adopted, had not the principle  
 been too inconsiderately admitted, that an  
 increase of money was an increase of  
 wealth.

I shall now make some observations on  
 Sir James Steuart's examination of the prin-  
 ciple, that the price of produce is propor-  
 tionate to the quantity of currency; but, as  
 a particular inquiry into his theory would  
 exceed the limits of these remarks, I shall  
 merely notice the positions, which by the  
 general scope of his reasoning, from page  
 400 to page 414, he has attempted to estab-  
 lish. He is of opinion, that an increase of  
 money must either operate to an increase of  
 demand, which must consequently augment  
 the supply, and reduce prices to their former  
 standard,

standard, or that it must wait not only the call of a desire in the proprietors to consume, but of the industrious to satisfy this call; and that an increase of money has no necessary tendency to effect a permanent advance in the price of produce.

But if the principle were true, that an increase of money led to an increase of produce, money would for the most part have preserved an invariable standard through all ages, as Sir James Steuart acknowledges, that if produce augmented in the same proportion, there would be no advance of prices: but from the earliest period to the present times, as will be sufficiently evinced in a future part of this work, there has been an invariable depression of the standard of money. It is therefore evident, that the augmented demand in consequence of the increase of money, has not occasioned a proportionate increase of produce.

The

*If it increases demand it must increase produce Sect 14  
But Sir James Steuart is right it does not*

The other position, that if money do not cause this effect, and augment the supply of produce in proportion to its increase, it will not enter into circulation, but be locked up in treasure, is contradicted by the same fact, as if it had never entered into circulation, it could never have contributed to the advance of prices. But this opinion is too obviously groundless to need an answer.

He says, that the price of produce depends upon the complicated operations of supply and demand, of which there can be no doubt; but it must be at the same time conceded, that the demand is always regulated by the general ability to pay, and not by the desire to have. Every person wants many things, which he cannot purchase; but he can only be said to demand those, for which he possesses an equivalent in money. The price of produce therefore, must ever be regulated by the quantity of money in circulation for its purchase, and its own quantity at the time to answer the demand. This connection be-

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tween the quantity of money in the market to buy, and the quantity of produce in the market to be sold, is constantly operating to a fluctuation; and, in proportion to the excess in currency above produce, to a gradual advance of prices. They are reciprocally balanced by each other. Every variation in the quantity of the one, effects an equal variation in the standard of the other, and prices are ever regulated by the proportion which the existing quantity of the one bears to the existing quantity of the other.

I have no wish to detract from the general merit of Sir James Steuart's Work. It contains a fund of matter from which a statesman may select much valuable information. But the inquiry of Dr. Adam Smith has sufficiently refuted the theory which he was desirous of establishing. The ability of the author no one will dispute, if reasoning ingeniously upon wrong principles can be properly termed ability.

ON

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ON THE  
**BALANCE OF TRADE.**

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CHAP. II.

IF the fundamental principles of the foregoing chapter be correct, that the collective specie of a nation constitutes currency, and not capital, that an augmentation of currency is not an augmentation of wealth, and that no one nation can accumulate a greater stock of specie than that proportion, which is adequate to circulate its produce, as nearly as possible, at par with foreign nations, it appears to me impracticable to support the theory of the Balance of Trade.

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I do not mean to contend that one nation cannot contract a debt with another, and that at any given moment a favourable balance may not be due; but that this balance can never be so far favourable for a continued series of time as to lead to the introduction of a greater quantity of money than to that addition, which is necessary to augment the currency of one country to an adequate proportion with the currency of others, and equalize the standard of money.

At the time that this theory was established, as money and wealth were always used as synonymous terms, and as no work had then been published illustrative of purer principles, the opinion was universally prevalent, that a nation became rich by the accumulation of its money; and as it was experienced, that commerce augmented our opulence, it was naturally conceived, that it only conduced to it by the introduction of money. It was therefore concluded, that if any plan could be devised, which would  
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lead to an ascertainment of the quantity of money imported by our trade, it would necessarily point out the accession that was made to our national wealth. For this purpose the theory of the Balance of Trade was established, and it was adopted with the fullest conviction, that it would accurately demonstrate the addition that was annually made to our capital, for such the aggregate specie of a nation was deemed, and form a body of indisputable evidence to confirm our advancement in real opulence.

From the formation of the theory, at the close of the seventeenth century, to the present day, it has received but little opposition. Mr. Hume and Dr. Adam Smith, whose peculiar habits of reflection led them to penetrate into its fallacy with keener intuition than most other men, have exposed its illusion with great ability; but as their hostility did not direct them to a particular investigation of the principle upon which it is founded, their arguments have failed to impress that  
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general conviction, which a further inquiry, conducted by their talents, would probably have produced. Exclusive of these celebrated characters, it has received for the most part the concurrence of mankind. From its necessary implication of a certain portion of abstract matter, the movement of which requires some patience of labour, the minds of most are averse to an entertainment of the subject. To the complicated questions that oppose themselves to its investigation, the theory is indebted for its general reception; yet such is the fallacy of the system that the acquiescence in its favour has arisen much more from the difficulty of its refutation than from a clear conviction of its truth. The arguments of Mr. Hume have in this instance been again exposed to the criticisms of Sir James Steuart. But I shall hereafter attempt to shew that he has opposed his reasoning upon erroneous principles.

From

From the natural anxiety among all nations to form a correct estimate of their resources, this theory has obtained in every commercial state, and in most is highly accredited. In this country the invariable excess of exports above imports, which has led to the supposition of an uniform commercial gain has enhanced its value, as it has flattered our prospects. In all the real and imaginary difficulties in which we have been involved, we have ever regarded it as the only indisputable criterion of remaining property. Throughout the whole of the preceding century we were animated by the hope that we had been annually gaining from all other nations an immense accession of wealth. Government participated in the general delusion; and the minister of the day uniformly resorted to this topic with success, to illustrate the progressive opulence of the country.

But it appears to me, that so far from corresponding with the views of its authors,  
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the whole system is founded in error; that it has invariably tended to mislead, instead of direct; and that by the restrictive regulations which have been established in consequence of it, it has considerably obstructed our commercial aggrandizement.

This theory is formed upon the following principle. If a nation export produce to the value of twenty millions, and import produce to the value of fifteen, the difference is supposed to be received in bullion (unless intercepted by foreign expenditure,) and added to the aggregate specie of the country, to which the exported produce belonged.

It is grounded therefore upon a principle directly opposite to that upon which an individual merchant forms an estimate of his private balance.

The nation draws an inference of its gains from the excess of its exports; the merchant draws an inference of his gains from the ex-  
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cess of his imports. The balance-sheet of the one therefore, is directly opposite to the balance-sheet of the other. If a merchant export produce to the value of twenty thousand pounds, and import produce to the value of twenty-five thousand pounds, he justly concludes that he has gained five thousand pounds by his business. But it is contended, on the contrary, that the excess of proceeds above returns constitutes the profits of a nation, and if it export produce to the value of twenty millions, and import produce to the value of fifteen, that it gains five millions by the bargain, because it is presumed that the difference is accumulated in capital, and permanently deposited in the country.

But no attempt is made to prove the smallest acquisition of profit. The balance-sheet does not attempt to shew that more has been received than given, as in the instance of the mercantile balance. It is, on the contrary, apparent by its own shewing, that,

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that, even if the bullion were received, an equivalent in produce has been given for its purchase. But as wealth was thought to consist in money, and as produce was only valued as the means of procuring it, the receipt of the bullion was supposed to form an accession to national wealth, and hence was deemed a favourable balance.

This theory, therefore, is not grounded upon the principle of a commercial profit; but upon the principle of accumulation. It does attempt to give evidence of what proportion the nation has gained by its commerce, but what proportion it has saved. It implies, that if we bought to the value of twenty millions, and sold to the value of fifteen, the difference is saved and accumulated in capital, as a permanent deposit in the country.

As therefore it is the fundamental principle of the theory, that commerce enriches the country in proportion as it leads to the accumulation

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cumulation of money; it is necessary that the money should be detained in order to support the position, that the nation is enriched by its introduction. Its reappropriation to the purposes of trade would place the country precisely in the same position in which it was previous to the possession of the balance. For as an equivalent has been given for its purchase, and as no more than an equivalent can be received for it, the produce which purchased the bullion might, so far as the wealth of the nation is concerned, have as well exchanged, in the first instance, for the produce which the bullion purchases, without its auxiliary intervention as a medium. If the bullion we receive from Portugal, in exchange for any given produce, be eventually sent to China for teas, the teas of China might as well exchange, in the first instance, for the produce which was sent to Portugal, as exchange for the bullion that was received for it. The transitory possession of the bullion may materially facilitate the operations of trade; but if

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it be merely the instrument of commerce, and its export be equal to its import, there is no foundation for saying that the nation is enriched by its introduction. The detention of the money received, forms therefore a necessary part of the system.

This theory then is grounded upon the following positions. That an increase of money constitutes an increase of wealth; and that it is practicable for a nation to detain the money which it acquires, to any extent, as a permanent deposit in the country.

The fallacy of these principles I attempted to expose in the foregoing chapter. I endeavoured to prove that an increase of money was only an increase of currency; and that augmented currency was not augmented wealth; that it advanced the price of produce, without increasing its quantity; and added to the nominal, without adding to the real wealth of a country. I attempted also to shew that no one nation would submit to such

such a sacrifice, as to detain its money for the sole purpose of its depreciation, if it could exchange it to more advantage by sending it abroad. If then these positions be founded in truth, and we admit, for an instant, that the theory of the balance of trade is correct, as, according to the foregoing principles, augmented currency is not augmented wealth; so far from gaining an accession to its opulence, the nation would have lost by the detention of the balance in an exact proportion to the value of the produce which was sold for its purchase.

But as it is obvious that the fallacy of a principle, however illusive, can never have sufficient influence to subject us to such a deception, it is necessary to examine how far it be practicable for a nation to buy to a greater extent than it sell, and how far the theory can be borne out by facts. It is evident that if any nation bought for a continuance a greater quantity of produce than it sold, it must, sooner or later, be disposed of



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ferred of its money. If the aggregate specie of a nation amounted to no more than twenty millions, and it annually bought two millions of produce more than it sold, its stock of specie would be completely exhausted at the expiration of ten years. But as it is impossible to disturb the equilibrium of money, such an event can never happen. Upon the first diminution of its currency, and consequent reduction of its prices, foreign produce would be attracted by the cheapness of its markets, and, by supplying the quantity which was withdrawn, restore the equality of the standard. If we were even to suppose that from the possession of mines, without the supposition of accumulation from commercial intercourse, this nation could have received an annual supply during any considerable period of the preceding century to the same extent, to which Spain has received her American remittances, there is no reason to conclude that the government of this country would have been more successful in its project of detention

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under a freer system, than Spain has been by more arbitrary restrictions; nor that the people of this country would have been more inclined to forego the advantage of a beneficial exchange, and suffer the deterioration of their property without attempting to prevent it.

It was contended, in the preceding chapter, that no one nation could accumulate a greater quantity of specie than its due proportion; than that proportion which was adequate to circulate its produce as nearly as possible at par with other countries; that immediately it was augmented above this proportion, foreign produce would be attracted by the dearness of its markets, and take off the surplus currency; that immediately it was reduced below this proportion, foreign bullion would be attracted by the inferiority of its prices, and supply the requisite addition; and that a permanent inequality of the standard of money could not exist.

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But as it may be said that these principles, however specious in theory, may not be practically true, I shall make some enquiry into the custom of exchange between nations, for the purpose of explaining the operation by which the equilibrium of money is maintained.

It was remarked in the foregoing chapter, that the Utility of Money consisted in its properties as a measure of value and a medium of exchange. In the internal intercourse of a country; and in the common transactions of life, it is invariably used in both characters: but in commercial relations between nation and nation, it is more frequently used in its exclusive property as the measure of equivalency. All commercial transactions are negotiated by bills of exchange, which for the most part cause the produce of one country to be received for the produce of another, without the intervention of money as a medium. If a merchant at London send an hundred pounds worth of cloth to Peterburgh,

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burgh, and, exchange being at par, or, in other words, the equilibrium of money being maintained, he sell his bill to another, who imports an hundred pounds worth of hemp, the hemp is received for the cloth without any conveyance of money from one country to the other. While, therefore, exchange is at par, and money at the same common standard, the produce of one country is received for the produce of another, money being only the measure of equivalency without constituting the medium of payment.

But immediately that the currency of one country should be augmented above the relative currency of another, and the prices of the one should be necessarily raised above the prices of the other, the same quantity of money would no longer be the measure of equivalency between the two countries for the same quantity of produce. As the standard of money would be lowered in the country receiving the augmentation, the same sum would no longer command the same

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quantity of produce, as in the country where no variation had been effected in its currency, and where the standard had continued the same. If the currency of England were augmented, and the currency of Russia maintained without variation, a smaller quantity of produce would be sent from England to Russia for the same sum subsequent to the augmentation than was previously customary; and as the same sum would still continue to purchase the same quantity in Russian, a smaller quantity of British produce would thus exchange for a greater quantity of Russian produce, than was usual in the antecedent intercourse between the two countries. To this partial alteration of the measure of equivalency, so much to the advantage of Great Britain, neither Russia nor any other country will submit; they would not fail therefore to reject the purchase of British produce, unless it could be sold at the same price at which it was previously attainable; till, by a proportionate augmentation of their currency, they

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they were enabled to raise the price of their produce in an adequate ratio; and, by making an equal quantity of money again be the measure of an equal quantity of produce between the two countries, restore the equilibrium. This operation is effected in the following manner by the course of exchange.

Immediately that by a partial augmentation of currency in any particular country, a partial advance of prices were effected, which would necessarily extend to every species of produce, its merchants would seize the favourable opportunity of importing large supplies of foreign produce, which they would procure at the same price as formerly; and, by selling it at home at a higher price than was previously attainable, secure a greater profit to themselves. And as the exportation of the domestic produce of the country would be retarded by its augmented price, the import of produce from foreign nations would be greater than the export of domestic

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domestic produce to them. The debts of the nation would thus exceed its claims, and the drawers of bills against the country, would be more numerous than the remitters of bills in its favour. These bills would necessarily experience a heavy sale in the foreign market, from the repugnance of their merchants to import the produce of the debtor country at the advanced price to which it was raised; they would, therefore, depreciate according to their surplus beyond the demand, and sell below par; their depression would continue till the merchants who took them up were enabled to purchase the produce of the debtor country, at the same price at which they had been accustomed to procure it, by paying for it in the currency of the creditor country with the same quantity of money which they had previously given. If the currency of England were increased above the currency of Germany, so as to raise the price of its produce five per cent. above the produce of Germany, which would necessarily lead to an excess of imports  
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above exports; and if, by a consequent superabundance of bills against England in the foreign market, the course of exchange between London and Hamburg, were five per cent. against London, ninety-five pounds in Hamburg would be worth an hundred pounds in London; and the merchant who purchased a bill on England would be capable of buying an hundred pounds worth of British produce, by paying only ninety-five pounds for it in the place where he resided. By this operation he would be enabled to purchase the produce of Great Britain at the same price which he was previously accustomed to give for it, when exchange was at par, and the currency of the two countries in the same relative proportion. I do not mean to contend, that the course of exchange, in every instance of a partial increase of currency, will adjust the difference with so much correctness, but that it will ever possess sufficient influence to prevent any material alteration in the measure of equivalency.

When

When this depression takes place in exchange, or, in other words, when the equilibrium of money is thus declaredly altered between any two nations, as the same nominal sum will purchase a greater quantity of produce in the creditor country, where the standard is preserved, than in the debtor country, where its value is depressed; it is natural for the person who trades in bullion, like the merchant who trades in any other commodity, to profit by this variation, and export his merchandize where it will sell to most advantage. While exchange is at par, and money at the same standard, the bullion merchant has no interest in its remittance from one country to another, as no profit can be derived from its transfer. But the instant that the equilibrium is avowedly affected by the variation of exchange, it becomes his interest to transmit it from the country where it is cheapest to the country where it is dearest, in order to receive the difference as his profit.

If

If exchange between London and Hamburg were five per cent. against London, and ninety-five pounds in Hamburg were worth an hundred pounds in London, the bullion merchant in Hamburg would take up a certain proportion of the debt, by purchasing bills on England; and for every ninety-five pounds which he thus paid at Hamburg, he would write to his correspondent in London, to send him an hundred, and would place the difference to the profits of his business.

As soon as the Balance of Trade between the two countries was liquidated by this operation, and exchange was restored to par, the currency of both would be brought more nearly to the same proportionate increase. The introduction of some part of the surplus quantity, from the debtor to the creditor state, would tend to effect a more equal distribution of the money, and by facilitating in each an elevation of prices, in the same ratio, necessarily conduce to an equalization

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of the standard. The same quantity of money would again be given for an equal quantity of produce in both nations, and the measure of equivalency would continue inviolate, till a subsequent augmentation in the currency of the one occasioned a consequent alteration of the standard of the other, and again give rise to similar means to rectify the disparity.

If, then, the course of exchange be nothing more than the expedient to which mankind have resorted for the purpose of maintaining the purity of the common measure of equivalency; if upon a partial increase, or a partial reduction of currency, it never fail to direct the current of money to a level, it is impossible that any nation can sell, for a continuance, to a greater extent than it buys; or that the Balance of Trade can lead to a further accumulation of specie, than to that addition, which is necessary to augment the currency of one country to an adequate proportion with the currency of others, and approximate

proximate the value of money to a common standard.

But if no one nation can possess a greater relative currency than another, it may be asked, how it happens that the produce of this country is circulated at a somewhat higher price than the produce of others. The difficulties of intercourse appear to me to be the only cause of this difference. The prohibitory regulations which have been established in different countries, as remarked in the preceding chapter, militate against the general equalization of the standard of money; and, by preventing the free interchange of produce, cause it to be circulated in some countries at a higher, and in some at a lower price than it otherwise would be. The general prohibition of foreign manufactured produce in this country certainly operates as a means to keep up our high prices, and support that redundancy of currency to which our policy has been hitherto directed; but as prohibitions have but a partial

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partial extent, the introduction of free goods will always be competent to turn the course of exchange against us, and cause the clandestine departure of our specie, however strongly counteracted by other causes, in sufficient quantity to prevent a considerable excess above the relative currency of others. These prohibitions were originally dictated in most instances, in my opinion, by an erroneous sense of our real interests; but their general removal, unconnected with a reformation of our currency, might now be attended with serious consequences to many of our manufactures.

As it appears, by the foregoing explanation of the course of exchange, that those nations which have a tendency to possess a redundant currency must invariably be the debtor countries; it follows, as a necessary consequence, that those whose currency is not augmented to an adequate proportion, must be creditor states. The cheapness of their produce procures it a ready admission  
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in the foreign markets, where money is depressed; and, by creating a balance in their favour, occasions a favourable exchange; and the influx of money for the same purpose of maintaining the common standard.

But in order to form a judgment of the quantity of bullion which is supposed to have been imported and deposited in this country, during any given period, by the balance of trade, it is necessary to take a retrospective view of the public entries. If an estimate be made of the annual balances during the last forty years of the preceding century, it will appear, from the table in Mr. Chalmers's estimate of the strength of Great Britain, page 234, that the annual average excess of exports above imports amounted to four millions; all of which being received in bullion, and appropriated to the internal circulation of the country, would have made an addition of an hundred and sixty millions to the stock in hand at the commencement of the present  
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sent reign. It is true, that the consumption of our manufactures, and the amount of our foreign expenditure, are to be deducted from this sum. There is reason to conclude, that the consumption of our manufactures, during this period, has not exceeded the sum of ten millions. Upon the effect which our foreign expenditure may have on the balance of trade, I shall hereafter treat. But it is essential in the mean time to remark, that the public are possessed of no data to direct their judgment upon the amount of our foreign expenditure; no particular document is prepared by government relative to their foreign disbursements; nor can any correct estimate be formed of the private expenditure of British residents abroad. Little notice was therefore formerly taken of the subject; and, as none were capable of calculating the amount, an inference was drawn correspondent with our hopes, that a large surplus was constantly received as a favourable balance. Assuming for the present, that this may have been the fact, I shall consider

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consider the various purposes to which it may have been applied.

Of the quantity, which has been added to our specie, the coinage affords the most satisfactory evidence.

The whole coinage of this period by the table, to which I have above alluded, amounted to no more than sixty millions; twenty of which was a recoinage of old money. It is evident, therefore, that the product of our annual balances has not been added to our legal currency: and as foreign coin does not constitute a legal tender, its intermixture with the general circulation, must be too partial to have much effect in lessening the disparity between the coinage and the aggregate balance. It is clear, therefore, that we can have received but little more than forty millions as an augmentation to our specie, from the commencement of the present reign, and that the existing stock now in hand, cannot be much more than  
 sixty



fixty millions, if it may be presumed that the greater part of the old money was re-coined. But nothing can be more vague and inconclusive, than any estimate of the current specie of a country from the general amount of its coinage. If it should happen even to be accurate at the moment at which it is formed, a favourable or unfavourable course of exchange for a few months afterwards, would considerably augment or reduce its quantity. There is no reason to conclude, that money would be retained in a country because it has received the legal stamp of the mint, or because its export is prohibited; upon the event of an unfavourable exchange, its clandestine remittance is easily effected; and if by a large issue of paper currency, which performs all the necessary functions of specie, the value of money be partially depressed in this country, below its relative value in others, there is no doubt but that there will be a departure of our coin to maintain the standard abroad.

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That our specie has disappeared, is not only a circumstance of general acknowledgment, but of universal complaint. The suspension of cash payments at the Bank of England is conclusive evidence, that a sufficiency could not be detained in the country to uphold the credit of our paper; and if an estimate could now be formed of the amount of our specie, there would be some foundation for concluding, if reasoning from analogy be allowed, that but a small proportion of the sixty millions is now remaining in the country. By the evidence which Mr. H. Thornton gave before the Secret Committee of the House of Commons, relative to the currency of Scotland, which may be seen in the Third Report, page 143, it was conjectured, that the average amount of its paper, was from one million two hundred thousand pounds, to one million five hundred thousand pounds; and that the amount of its gold was about sixty thousand pounds; fifty thousand pounds of which were usually in circulation. If to this he added the

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quantity of its silver, which, though it be far too liberal an allowance, may be said to amount to the same sum, its specie will be about one tenth part of its paper. Now though I do not mean to assert, but that the specie of England bears a much nearer proportion to its paper, than is instanced in Scotland, yet I think there are few that have considered the subject, who will be hardy enough to contend, that the amount of its specie is greater than the amount of its paper. The quantity of paper currency, that yields no interest to the holder, may be estimated at about twenty millions, fifteen emitted by the Bank of England, and five by the country banks; though there are no correct data by which an accurate estimate can at the present moment be formed. But I will venture to assert, that the specie of the country would be considerably over rated at a fourth part of the same sum; and if the general mode by which the coinage has been effected be considered, this assertion will not appear extraordinary.

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Previous to the suspension of cash payments at the Bank, during the depression of exchange, a constant demand was made for specie, to promote the speculation of the bullion merchant, who derived a profit from its foreign remittance. As this drain had a necessary tendency to exhaust its stores, it was compelled to purchase a certain quantity of bullion, and send it for coinage to the mint, for the purpose of supplying the quantity withdrawn from its deposits. These purchases were necessarily made at a loss, as if effected at home, the Bank was forced to allow the merchant the same profit, which he could obtain by its foreign remittance; and if effected abroad, to lose by the importation the difference of the exchange. At the same time that these purchases were made, it contracted the issue of its paper, by retaining the notes which were presented for payment. The determination to refuse further discounts necessarily occasioned commercial embarrassments, by lessening the means of payment, and obstructing the performance

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of contracts. The difficulties occasioned by this contraction of currency, forced out a certain quantity of produce, at reduced prices, to liquidate the balance with foreign nations, and bring exchange to par.

But it cannot be contended, that the quantity of money thus coined made any addition to the current specie of the country, as it was only effected for the purpose of supplying the quantity clandestinely withdrawn by foreign remittances.

The present state of the currency of this country appears to me to afford conclusive testimony against the truth of this theory. It is supposed, that trade only so far enriches a country, as it leaves a balance of money in its favour; and that the wealth of a nation is only increased in proportion as its money is accumulated. Yet there is some reason to conclude that we now possess no more than five millions of specie, though it is conjectured that we have had an annual average balance

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of four millions in our favour for these last forty years.

So far, then, from the existing amount of our specie giving any encouragement to the supposition that the nation has grown rich by the Balance of its Trade, and the accumulation of money, there is not much reason to conclude, such has been the increase of paper, that the stock in hand, at the present day, is equal to the quantity in circulation at the commencement of the reign, notwithstanding the vast advance of prices since that period. It is evident, therefore, that the aggregate of these balances, to the amount of an hundred and sixty millions, is not now extant in the legal currency of the country; and to imagine, that any considerable portion of it is locked up in repositories, in the shape of foreign coin or bullion, is so totally inconsistent with reason, that it would be superfluous to investigate so futile a supposition.

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The consumption of our manufactures, during this period, will account for but a small proportion of the united balance. Dr. Adam Smith estimated the consumption of Birmingham at fifty thousand pounds; and if the consumption of London be estimated at three times that amount, and of the rest of the kingdom at only the same sum, the quantity introduced for this purpose, to the annual amount of two hundred and fifty thousand pounds, will not, in the space of forty years, exceed the sum of ten millions.

If then but a very small proportion of these balances has been realised in the stock of specie now in hand, or consumed by manufacture, the remainder must have been re-exported. This exportation could only have taken place by means of commercial speculations, or through the foreign expenditure of government in the time of war.

On the application of bullion to commercial purposes, I treated in the beginning of this

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this chapter, where it was contended, that as an equivalent must be given for its purchase, and as no more than an equivalent can be received for it, its transitory possession can have had no tendency to have enriched the country, however greatly it may have assisted the operations of trade. It cannot be asserted, that the nation has grown rich by the balance of its trade, if it be said that the bullion which it leaves is expended in commerce, as it would lead to the absurdity of contending, that the deposit could be detained at the same time that it was sent away.

I shall hereafter attempt to prove, that a very small proportion of the aggregate balance has been exported for the payment of our foreign expenditure.

If, then, the existing stock of our specie, the consumption of our manufactures, and the foreign expenditure of government, will occupy but a small portion of the collective balances, it is evident, that whatever proportion

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tion has been received above the sum applied to these purposes, must have been re-appropriated to the speculations of trade; for if the bullion, which they are supposed to have deposited, can neither be found nor accounted for, it is competent to conclude, that its permanent detention has not been effected. The existing stock of bullion, therefore, in whatever shape it may be extant, will lend but little countenance to the principle, that the nation grows rich by its accumulation; or that the balance of trade can lead to the introduction of a greater quantity than to that addition, which is necessary to equalize the standard of money, by augmenting the currency of one country to an adequate proportion with the currency of others.

But as in this country we have taken upon ourselves to augment our currency, by the circulation of paper, somewhat above its due proportion; the present scarcity of specie sufficiently evinces, that the Balance of Trade has of late years been, for the most part, unfavourable;

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unfavourable; and has led to the departure instead of the introduction of money, notwithstanding that an opposite inference may be apparently deduced from the general amount of our coinage, and the enormous excess of our exports above our imports. But in order to explain this fact, which, however sensibly it may be felt, but little accords with the theory of the Balance of Trade, and the received opinions of the times, it is necessary to investigate the real cause of the difference that subsists in the general amount of our exports compared with our imports.

One of the principal errors of this theory consists in the inference which is drawn, that an excess of exports above imports necessarily constitutes a favourable balance. But though it be true, that a favourable balance cannot exist without an excess of exports; yet an excess of exports may exist without a favourable balance. The exclusive criterion of a favourable balance, is a favourable

favourable course of exchange: and I shall attempt to prove that, notwithstanding there has uniformly been of late years an enormous excess of exports above imports, the balance of trade has been for the most part unfavourable, and has led to the clandestine exportation of our specie.

A favourable balance of trade, and a favourable exchange, are synonymous terms. It is impossible that one effect can take place without the other. At the time that a considerable debt should be due from us to foreign nations, it is impossible that exchange could be in our favour. As we should have more to pay than we have to receive, the drawers of bills against this country would be more numerous than the remitters of bills in its favour; and as the foreign market would be overstocked, the inclination to sell would exceed the inclination to buy, and by causing a depression of the value of the bills against us, render the exchange unfavourable.

And

And at the time that the balance of trade should be favourable, it is impossible that the exchange could be against us. At the time that we were the creditor country, and had more bills to draw against foreigners than they had to draw against us, the bills against them would necessarily experience a depression in our market, and turn the exchange in our favour.

But in the same manner that the course of exchange corresponds with the balance of trade, the influx and reflux of money must correspond with the course of exchange.

At the time that exchange were unfavourable, it would be absurd to suppose that money would come into the country; and at the time it were favourable, that money would go out. If exchange between London and Hamburgh were five per cent. against London, no bullion merchant at Hamburgh would send over

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over an hundred pounds to London, when he could purchase a British hundred pounds by paying only ninety-five pounds for it in the place where he resided. Nor, when exchange were five per cent. in favour of London, would any bullion merchant in London send over an hundred pounds to Hamburg, when he could purchase it in London by paying only ninety-five pounds for it.

As, therefore, a favourable exchange is the necessary consequence of a favourable balance; and the influx of money, a necessary consequence of a favourable exchange; it is requisite to consider how far the apparent balance in the Custom-house entries can be supported by these correspondent consequences.

For some years last past, the general course of our exchanges has been, in many instances, unfavourable; while the public entries have invariably declared an enormous balance to have existed in our favour. The  
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one implies the necessary departure, the other, the necessary introduction of money. These two facts are evidently inconsistent with each other; and as the unfavourable exchange is a notorious circumstance, acknowledged by the whole mercantile interest of the country, and may be satisfactorily ascertained by a reference to Lloyd's Lists; and as the correspondent scarcity of specie is a subject of general complaint, there must either be an error in the inference which is drawn, that the excess of exports above imports constitutes, in all instances, a favourable balance; or there must be an error in the public entries which announce the excess.

Assuming, therefore, as an incontrovertible position, that an unfavourable exchange is indisputable evidence of an unfavourable balance, I shall endeavour to account for the difference between our exports and imports, by an investigation into the nature of our foreign expenditure; and attempt to sub-  
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vert the inference that the excess of exports in the public entries constitutes, in all instances, conclusive testimony of a favourable balance.

It is contended by the supporters of this theory that the excess of exports above imports would be received in bullion and deposited in this country, unless it were absorbed by our foreign expenditure. In order to refute this position, it is necessary to make some inquiry into the customary mode of its payment.

It seldom happens that a subsidy is made to a foreign power without some alarm being excited at the supposed departure of the money, which is necessary for its payment. But nothing can be more groundless, than the apprehensions which are entertained upon this subject, even though the money should be sent out of the country to effect it, as there is no possibility of reducing the currency of one country to any extent below

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the relative currency of others. But it for the most part happens, that much the greater proportion of the subsidy is paid by the draft or remittance of bills. It is true, that at the commencement of the late war, two millions were exported in bullion in payment of a part of the Prussian subsidy, and the imperial loan. This fact may be collected from the evidence of Mr. Boyd, who was agent for the emperor, page 50, and the evidence of Mr. Harman, agent for the king of Prussia, page 93, in the Third Report of the Secret Committee of the House of Commons. The bullion consisted entirely of foreign coin, the greater part of which was purchased of the bank. The residue of the loan and subsidy, and the whole of the loan of 1796, were paid in bills without any remittance of money from this country. In the Appendix to the same report, is a paper prepared by Mr. Long, and presented to the committee relative to the amount and payment of our foreign expenditure during the four first years of the war. In this it appears

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pears that only five thousand pounds were remitted in specie, exclusive of the sums that might be exported in subsidies and in advances to foreign corps (of the mode of paying which, no particular specification is made,) though the total of our expenditure during this period amounted to thirty-two millions, in addition to the imperial loan. Our foreign expenditure, therefore, for loans and subsidies, and for naval and military services, will contribute but little support in favour of the position, that the bullion which is supposed to have been imported by the Balance of Trade is appropriated to this purpose, or give much countenance to the opinion that the departure of our money is necessary for its payment. Bills are in general drawn upon the treasury by the proper officer, discounted in the place where they are given, and paid at home without any conveyance of money from this country to the seat of war.

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It is now therefore necessary to consider, how far our expenditure may have a tendency to anticipate the receipt of bullion, and absorb that portion which would otherwise have been paid and deposited in this country.

There are two modes of paying our foreign expenditure by means of bills of exchange; one is by the draft of bills against this country; and the other by the remittance of bills in its favour. When the expenditure is paid by the draft of bills against the country, they are discounted in the place where they are drawn, and constitute a debt against us for the value which is received and expended abroad. When it is paid by the remittance of bills in our favour, a debt must have been due to us in consequence of a favourable commercial balance for value exported to the place against which the bills are granted.

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I before endeavoured to prove, that the course of exchange must always correspond with the balance of trade, and that one could not be favourable without the other. If therefore there be a balance in our favour, and a consequent favourable exchange, which would necessarily lead to the influx of money, and the bills against the debtor country were purchased by government for the payment of our foreign expenditure, instead of being purchased by the bullion merchant for their investment in money, there is no doubt but that the purchases of government would absorb that portion of bullion, which would have otherwise been received in payment of some part of that particular debt. But as the cause that primarily led to a balance in our favour would in this case continue to operate, our foreign expenditure would have no eventual tendency to prevent the introduction of a sufficient quantity to augment the currency of this country to an adequate proportion with the currency of others.

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If the standard of money were partially raised in this country by a contraction of currency, which led to an excess of exports to those countries where it was partially lowered by an increase, though the purchase of the bills by government would obviate the effect of this excess in the first effort, and prevent the influx of money, yet a further exportation of domestic produce would be encouraged, and the import of foreign produce obstructed, till, by an additional balance in our favour, a sufficient quantity of bullion were introduced to equalize the standard of money, notwithstanding the counteracting cause of a large foreign expenditure.

But if there be no commercial balance in our favour, and no bills against foreign nations can be granted, our expenditure must be paid by the draft of bills against this country by the agents of the British government abroad. These bills would have the same effect of constituting a debt against us,

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as if we had had an excess of imports above exports, and an unfavourable commercial balance. It cannot therefore be contended, that the payment of our foreign expenditure by these means, has any tendency to anticipate the receipt of bullion, and absorb that portion, which would otherwise have been imported into this country, when no debt is due to us from foreign nations, and no bullion can be demanded. And when, on the contrary, we have a debt to pay to them, instead of a debt to receive from them, and they can demand the bullion from us. In order to give our foreign expenditure a tendency to anticipate the receipt of bullion, it is necessary that a commercial balance should have previously existed in our favour; and that the value of the bills, which are granted, should be expended abroad, instead of being invested in bullion to be imported into this country. But if no such balance existed, it cannot be said that the draft of bills, which constitute a debt against us, can prevent the import of bullion, which can only be  
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received when a debt is in our favour. An examination of the paper prepared by Mr. Long, and above alluded to, satisfactorily proves, that our large foreign expenditure, during the late war, had no tendency to anticipate the receipt of bullion, as it was paid almost without exception by the draft, and not by the remittance of bills.

I shall now endeavour to prove that our foreign expenditure forms the principal cause of the excess of exports above imports, which has hitherto been invariably imputed to a commercial balance in our favour. Assuming this excess as an indisputable criterion of a favourable balance, without any regard to the general state of exchange, it was naturally conceived by the supporters of this theory, upon discovering that it did not in all instances conduce to the introduction of the difference in bullion, that this effect could only be prevented by the anticipation of our foreign expenditure. But I have endeavoured to prove, that our foreign expenditure

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diture can only anticipate the receipt of bullion, when it is paid by the remittance of bills in consequence of a favourable commercial balance; and that if it be paid by the draft of bills, it contracted a new debt against us, instead of liquidating a prior debt in our favour. It is to this cause then, that the excess is attributable, as it is for the payment of this debt that it is made. When bills are drawn upon the treasury for the payment of our foreign expenditure, they are discounted in the place where they are given, and their value is virtually received by this country, through its delegated agents abroad, in as full and ample a manner, as if the produce, which they purchased, were actually imported and entered in the Custom House books, and afterwards sent to the seat of war for consumption; but from the mere circumstance of its not being inserted in the Custom House entries, as value received, against the produce exported for its payment, the equivalent sent out is deemed to constitute a favourable balance, when it is, in reality,

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reality, exported to liquidate a balance against us; so far, then, from our foreign expenditure having any tendency to absorb the bullion, which foreign nations would otherwise pay to us in consequence of our excess of exports, it is evident, that this very excess is occasioned to prevent the remittance of bullion from this country to them.

This fact may be corroborated by the difference of our exports to Germany in the time of war and in the time of peace. During the four first years of the late war our exports to Germany amounted to eight millions, though in the time of peace they had not exceeded two, because the difference was exported for the payment of our foreign expenditure in that country, which was more or less heavy during the continuance of hostilities\*.

\* Vide the Report of the Secret Committee of the House of Lords, page 254.

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If, then, the foregoing explanation of our foreign expenditure be correct, it is obvious that the excess of exports above imports, in the Custom House entries, is not conclusive evidence of an uniform balance in our favour; it is apparent, on the contrary, that our commercial balance, notwithstanding this enormous excess, must have frequently been unfavourable, or the general state of our exchanges could not have been adverse in the many instances which have been lately experienced. To this surplus of exports, occasioned by our public disbursements, must be added our private expenditure. Whatever bills are drawn upon this country for the expenditure of British residents abroad, for the payment of dividends to foreigners, who have a credit in our funds, for the salaries of officers belonging to our government and resident in foreign courts, and for other miscellaneous purposes, must be placed as value received against this preponderance of exports.

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It is now necessary to consider what influence our foreign expenditure may have to effect a partial alteration of the standard of money, by causing the introduction or departure of a greater quantity than would otherwise have taken place. If exchange were at par, our foreign expenditure would not anticipate the receipt of bullion, even though there were a commercial balance in our favour; as it would be absurd to suppose that the balance would have been paid in bullion, when no profit could be derived from its import, and when an investment of the bills against the debtor country in produce would offer a preferable speculation.

If exchange were favourable in consequence of the depression of bills in our market, from a large commercial balance being due to us, and our foreign expenditure were paid by the remittance of bills against the debtor countries, there is no doubt but that it would absorb the bullion in payment of any part of that debt; but, as was previously explained,

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explained, further exportation would be encouraged till our claims exceeded the amount of our foreign expenditure, and led to an introduction of the requisite supply of money.

If exchange were unfavourable in consequence of a considerable excess of debt above claims, and our foreign expenditure were paid by the draft of bills, it would necessarily lead to a further extension of the debt, and a further depression of exchange; but if by these means a greater quantity of money were withdrawn than what was necessary to equalize the standard, the export trade would soon become superior to the import, and facilitate its return.

In no case, therefore, can our foreign expenditure have any power to effect a permanent variation of the standard of money by eventually preventing the introduction, or eventually causing the departure of a greater quantity than would otherwise have taken place.

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Whenever any foreign disbursements are to be made for political purposes, it is necessary to examine the state of exchange, and if, by the draft of bills against this country, it be probable that the foreign market would be overstocked, and depress the exchange, it is more for the interest of the country, that it should remit the money in the first instance, and, by causing a glut in the foreign market, turn the exchange in our favour, than, by causing a redundancy of bills, turn the exchange against us.

During the pressure, then, of an unfavourable exchange, our foreign expenditure is the main and leading cause of our excess of exports, though the import of bullion for the manufacture of plate, plated goods, and other ornamental purposes, which must be purchased, whether exchange be favourable or unfavourable, unless our specie be melted for its consumption, would in some measure contribute to its magnitude.

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These two circumstances appear to me to constitute the exclusive causes of an excess of exports, except in the instance of a partial rise in the standard of money, through a partial contraction of currency, which will necessarily cause a favourable exchange, and introduce a sufficient quantity of bullion to restore the level. But from the two causes above mentioned, an excess of exports may exist to an enormous extent, although our commercial balance may be wholly unfavourable.

From the foregoing observations it is obvious, that the excess of our exports must in a great degree be commensurate with our foreign expenditure. The import of bullion for manufacture and the bank occasions comparatively an unimportant part of the surplus. As, in the event of an unfavourable exchange, the purchases of the bank are for the most part made to supply the quantity of specie clandestinely withdrawn, as was explained in treating on the subject of coinage, the produce imported for the specie  
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may be put against the produce exported for the bullion; though whatever quantity be received on a favourable exchange, may be stated as a legitimate cause of excess; but this quantity has not of late years been very considerable. The bullion imported for consumption does not appear even by a favourable estimate to be of much magnitude. It is more material therefore, to consider the general correspondence of the excess with the amount of our foreign expenditure, some allowance being made for the agency of inferior causes.

Upon the first establishment of this theory as a criterion of our national gain, towards the close of the seventeenth century, according to the information contained in the preface of Mr. Chalmers, a Committee of Peers affixed a certain rate for the valuation of the merchandize, which was entered in the Custom House books, correspondent with the prices of the times, but which the subsequent depression of money has rendered  
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wholly erroneous. This was clearly explained by Mr. Irving, the late inspector-general, whose talents have been so eminently displayed in the Financial and Secret Committees of the Houses of Lords and Commons. He satisfactorily proved, that the application of a new rate, according to the prices of the present times, would considerably augment the difference between the exports and imports; and that if the excess of imports from the East and West Indies above our exports to them; and the imports from our fisheries, which, as Mr. Irving explained, were improperly inserted in the entries, as part of our adverse balance, be deducted from the general amount of the imports, which are now indiscriminately united together, as constituting the total of our unfavourable balance, the difference would be still greater. Proceeding then upon this ground, and calculating the amount of the exports to foreign nations only, and the amount of the imports from them, he formed an estimate, that our annual average balance

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lance for four years preceding the year 1796, amounted to six millions five hundred thousand pounds. In order to ascertain, according to the principle of the theory, which I have attempted to subvert, what sum had been deposited by the Balance of Trade, or in order to ascertain, according to the principles which I have endeavoured to establish, the correspondence of the excess with our foreign expenditure, this was the correct mode of forming the estimate; but the statement prepared by Mr. Long, explanatory of our foreign expenditure during the three last years only of the same period, is satisfactory evidence, that his estimate was below the real amount. During these three years only the foreign disbursements of government amounted to twenty-two millions; and if to this sum be added the imperial loan, the private expenditure of individuals, and the whole expenditure, public and private, of the year 1792, the total of our foreign expenditure for the same four years would be much

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much higher than twenty-six millions, the amount of Mr. Irving's calculation.

It would certainly be desirable that an inquiry should be instituted into this subject, for the purpose of affixing a new rate in the inspector's books; and that the bills, which are drawn upon the treasury for foreign disbursements, should be annually laid before parliament, that the public may be capable of judging of the correspondence between the amount of our excess of exports, and the amount of our foreign expenditure. I do not assert that this would form conclusive evidence that no favourable balance existed, because the general reasoning contained in this work may be erroneous; but it would lead to a much nearer ascertainment of the bullion, which is supposed to be deposited in this country by a favourable balance, over and above the amount of our private foreign expenditure, the purchases of the bank, and the consumption of manufactures, than is now attainable. What this sum may amount

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to it is impossible for me to estimate; but, according to the principles of this work, it would be too immaterial to be publicly noticed.

If a retrospective view be taken of the exports and imports of Scotland, whose foreign expenditure is not very great, it will be seen, by the table of Mr. Chalmers, that from 1780 to 1800 exclusive, their exports and imports exactly balanced each other. And as I think it will be admitted that this nation, whose talents in the conduct of business are proverbial, would not have carried on a trade for eighteen years which produced no profit; it is fair to presume that this theory is not, in all instances at least, a just criterion of national gain.

The arguments against this theory are too numerous for recapitulation. The fundamental principle of the theory that a nation becomes rich by the accumulation of money, has, I trust, been shewn to arise from a mis-

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taken opinion of its utility. I have attempted to explain, that in the commercial intercourse between nation and nation, money is only used as the measure of equivalency, where the standard is the same; and that the course of exchange, or, in other words, the Balance of Trade, is the mere expedient to which mankind have resorted to rectify the measure, where the standard has varied.

As I shall hereafter treat upon the reformation of currency, it is necessary to remark here, that it has hitherto been the policy of this country to direct its attention to the attainment of a greater relative currency than others by an enormous paper circulation, which is injurious to our general interests, by advancing the price of produce, obstructing the export trade, depressing the exchange, and occasioning the frequent recurrence of commercial embarrassments to uphold its credit. But if the reasoning in this chapter be correct, it is obvious, that our policy should rather be directed

directed to, the possession of a less, than the possession of a greater: in order that our export trade may receive encouragement; that commercial difficulties may be less frequent; and, what will hereafter be more fully explained, that we may enter into competition with other nations to more advantage. I admit that it is as impossible for us to possess a much less, as it is to possess a much greater currency than other countries; but it is material for our interest, that we should have a tendency to possess a less instead of a tendency to possess a greater, to which our policy has hitherto been exclusively directed.

I shall now make a few remarks on Sir James Steuart's examination of Mr. Hume's hypothesis, that if four fifths of the money of Great Britain were annihilated in one night, commodities would sink in price, and be exported to foreign nations to bring over their surplus currency. Sir James Steuart says, that if such an event took place, the

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people of Great Britain would starve, because all the necessaries of life would be exported for the money of the continent; and as it would annihilate both industry and the industrious, it cannot afterwards be insisted on, that it would draw over a proportional part of the general wealth of Europe.

Money, in Sir James Steuart's imagination, though it be not so stated in his work, constituted the chief wealth of a nation. He always uses the money, the wealth, the riches of a nation, as synonymous terms. He therefore concluded, that all the exportable produce of the country must be sent out to restore the money which was withdrawn. After the preceding observations of this work, it is unnecessary to say, that our circulation could be restored without the exportation of a single grain of corn.

Then, realising the supposition of Mr. Hume, he says, it is thus that a nation, though industrious, may be reduced to poverty

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verty in the midst of wealthy neighbours; while some may amass vast sums of wealth, far above the proportion of it among others. For the application of these sums, he resorts to his former argument of their stagnation in repositories. Working still upon the same principle, that money alone is wealth, he imagines that one nation only grows rich by the impoverishment of another; a position which I shall examine, at some length, in the subsequent chapter.

Sir James Steuart admits, that if Mr. Hume's doctrine be correct, that money over all the world is like a fluid which must ever be upon a level, it leads to a chain of consequences totally different from the whole plan of his enquiry. The greater part of his work therefore must, in my opinion, be consigned as dead letter to the shelf.

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COMMERCE.

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CHAP. III.

AS in the preceding chapter I attempted to expose the fallacy of the current opinions on the subject of trade, I shall in this chapter endeavour to confirm my argument, by an explanation of what appears to me the real principles of commercial opulence.

The principle of all commerce is exchange, and all exchanges are equal. However apparently one nation may seem to gain by its commercial relations with another, yet in reality the transactions of trade, so far

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far as they are carried on between independent nations, are the interchange of reciprocal conveniences, where one equivalent is given for another, without any accession of wealth to either of the contracting countries. Though commerce invariably leads to opulence, it does not conduce to the opulence of one nation by the impoverishment of another; but it leads to the general wealth of all, by exciting in each a particular interest for the increase of its domestic produce. Upon the magnitude of its domestic surplus, the commercial wealth of every nation depends; and as the general wants of mankind never fail to create a demand in one country for the surplus produce of another, an extended cultivation of home produce necessarily leads to the introduction of a foreign supply proportionate to the increase. It is thus that the emulation of each to promote its individual interests, by encouraging the increase of its own produce, for the purpose of procuring the productions of

of others, advances the general opulence of all.

If no foreign commerce existed, no nation would cultivate a greater quantity than what was sufficient for its partial consumption, and its opulence must be limited to the indigenous productions of the soil peculiar to the climate under which it was situate. But, since by the subsisting intercourse of the world, other nations will take off whatever surplus produce be grown or manufactured, and give an equivalent of their surplus for its purchase; it becomes the peculiar interest of each to bend its attention to the increase of domestic produce, as the more equivalents it possesses, the more it will possess of the produce of others, and the greater will be its opulence.

But in the interchange of a portion of the surplus produce of one nation, for the surplus produce of another, no advantage can be

be gained by the one nation more than by the other. Their reciprocal wants are supplied by each acquiring from the other the produce in request; but no accession can be made to the wealth of either. If the produce in possession, antecedent to the exchange, had been in either instance inferior in value to the produce which was offered in return, the nations who negotiated the exchange, as neither would have submitted to a loss, would never have consented to the transfer.

If the position of the preceding chapter be correct, that no one nation can sell to a greater extent than it buys, while money is at the same standard, it follows, that the value of its returns must be equal to the value of its proceeds; and that the sole occupation of commerce is the transfer of one equivalent for another. That this is really the case, the common mode of conducting the ordinary transactions of trade in the commercial intercourse of nations, which was



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was explained in the foregoing chapter, sufficiently evinces. All negotiations are exclusively carried on by bills of exchange, which effect an immediate interchange of produce for produce, without any recourse to the intervention of money, while exchange is at par; and, as I endeavoured to prove, that the rise and depression of exchange were only occasioned to equalize the standard of money, when a partial alteration was effected in its value, its intervention for this purpose, which forms an exception to a general principle, confirms the position, that the produce of one country is exchanged for the produce of another, money being only the measure of their equivalency, or this exception would not be made for the purpose of maintaining the purity of the measure.

But it may naturally be inquired, if all commerce be an exchange of equivalents, by what means a commercial profit is attainable by individuals. Merchants are the agents and factors of mankind, and receive  
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a commission for the trouble and hazard of conducting their commercial negotiations. This commission, in the usual course of trade, is paid through the operation of exchange to the respective merchants of each nation by the domestic consumer. But it is the same thing, whether it be contended that it is paid by the domestic consumer or the domestic grower, as every nation must be the consumer of a foreign, in the same proportion that it is the grower of a domestic surplus. If a merchant in London send an hundred pounds worth of cloth to Petersburg, at five pounds profit, and, exchange being at par, he sell his bill to another, who imports an hundred pounds worth of hemp at three pounds, or any other percentage profit, to the Russian merchant, the British money, which purchased the Russian hemp, would be appropriated to the payment of the profits of the British traders; and the Russian money, which purchased the British cloth, would be applied to the payment of the Russian traders. Thus the  
consumers

consumers of foreign produce in each country would pay the commission of their respective merchants. But the consumers of foreign must be the growers of domestic produce. The annual produce of a nation is the only source of its income; and only they can buy who are in the immediate receipt, or indirect participation, of income from its sale. The profits, therefore, of merchants are nothing more than a commission from the growers of produce in each individual nation to which they belong, for their agency in returning to them the produce of other countries in exchange for the domestic produce of their own: and though in this exchange more value be apparently imported than exported in both countries, yet, as the commission is paid in both by the domestic consumer, the profit to the merchant is derived from home instead of abroad, and no accession is made to the opulence of either.

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These remarks only apply to those countries which reciprocally interchange their domestic produce with each other by direct communication. Where the principles of the transit trade intervene, and a nation becomes an entrepot between different states, some exceptions are necessary. It was observed above, that no nation derived an accession of wealth from the interchanges of commerce, as in all instances an equivalent was given for an equivalent received; and that the profit of the merchant was drawn from home instead of abroad, as the commission was paid in every country by the growers of its domestic produce. But where a state becomes the intermediate agent for different countries, as the exchange is not from domestic produce to foreign, but from one foreign produce to another, the payment of the commission necessarily falls upon the foreign consumer, and the profit to the merchant is derived from abroad. The intervenient state, therefore, acquires an accession of wealth proportionate to the amount

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of the commission. But this accession does not militate against the principles which I have endeavoured to establish, as it arises from an acquisition of produce equivalent to the profit, and not from the accumulation of money.

In whatever instance, therefore, a state is possessed of the transit trade, by forming an intermediate mart for foreign produce, whether it unite with its agency, the profits of the carrying trade, as was formerly the case with Holland, or whether it be a simple entrepot, as at present with Hamburgh, it derives an accession of wealth from foreign nations proportionate to the amount of the commission. The city of London possesses some portion of this transit trade, and has some business as an intermediate agent; but, on account of our repugnance to the establishment of free ports, the policy of which I shall hereafter consider, it forms, in a much greater proportion, a depot for the domestic and colonial produce of Great Britain, than an entrepot for foreign produce.

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Though therefore the intermediate agency of an entrepot forms an exception to the general principle, that no profit be attainable in the commercial interchanges of independent nations, yet it has no tendency to effect the general question that a nation is enriched by the increase of produce, and not by the accumulation of money.

If it may be established as a fundamental principle that all commerce is an exchange of equivalents, it follows as a necessary consequence, that whatever tends to an increase of equivalents, tends to an increase of opulence, and that the commercial wealth of a nation should be estimated by the whole value of its equivalents collectively; and not by that portion only, which returns an equivalent in bullion, which there is no possibility of detaining, and which, when parted with, can only re-purchase the equivalent that bought it.

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the excess more opulent, though no equivalent were given for the bullion.

A comparison between this country and Spain, may perhaps put this subject in a still clearer point of view.

As from a mistaken opinion of its exclusive value, the accumulation of money was the great aim of all governments, the fertility of America in gold was the first object of attention to the policy of Spain. The conquest of the country was effected for the purpose of procuring possession of the mines, which for these last two hundred years have remitted to the imperial state an annual average supply of between three and four millions. Yet, from the neglect of the cultivation of other produce, Spain is perhaps, to use an expression of Dr. Adam Smith, the most beggarly nation in Europe. Of the amount of her exports I have no account; but, exclusive of her surplus bullion, I should conceive

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conceive that they would not exceed the sum of three millions.

As England possessed no mines she directed her attention, with no purer conception of the principles of national wealth, to the same object by the cultivation of produce. She did not conceive that the means which she pursued were in reality the end, and that produce was itself the wealth which she was so anxious to attain. Money was her only object, and her only means of acquiring it was produce. It was this object that gave rise to the Balance of Trade, and the train of consequences connected with the system. But the line of policy, which she thus pursued, in opposition to the policy of Spain, has raised her to a higher state of opulence than any nation ever yet attained. Yet had Spain but taken half the pains to cultivate produce as she has taken for the attainment of bullion, from the unequalled extent and fertility of her empire, she would now have been the

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richest nation in Europe instead of the poorest.

I trust that it may be concluded, from the whole of the foregoing remarks in this and the preceding chapter, that, though commerce invariably lead to opulence, it does not conduce to the opulence of one nation by the impoverishment of another; but that it advances the general opulence of all, by promoting an extended cultivation of home produce in each for the possession of equivalents, in order that it may receive equivalents in return; and that the commercial wealth of every nation should be estimated by the total value of these equivalents, and not by any particular portion.

If then our commercial wealth be estimated upon this principle, and upon this principle it ought to be estimated, it will expose to our view, what the contracted theory of the Balance of Trade has hitherto obscured, the vast extent of the opulence and resources of this country.

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The export of British manufactures alone, estimated according to the old rate in the Custom House books, amounted, in the year 1802, to twenty-five million, seven hundred and nineteen thousand, nine hundred and seventy-nine pounds; which the difference between their real and official value, as stated by Mr. Chalmers, in his preface (page 4,) would raise to more than forty millions. According to his calculation, the value of British manufactures which were exported was,

	Official Value.	Real Value.
In 1798,	£.19,672,503 0 0	£.33,148,682 0 0
1799,	24,084,213 0 0	38,942,498 0 0
1800,	24,304,284 0 0	39,471,203 0 0

To these forty millions part of our colonial produce should be added. Our colonial produce from the East and West Indies is now inserted in the re-export of foreign merchandise, because it was not till lately considered as forming an integral part of the produce of the British empire; but, as Mr.

Irving

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Irving has satisfactorily explained this circumstance to the public, the quantity exported should be equally construed as British produce. It is not fair, however, to take the whole quantity. By our present policy, produce is forced out from this country for its cultivation, in order that we may purchase it with an equivalent, instead of receiving it for nothing, as will be more fully explained hereafter; it is only fair, therefore, to estimate it by the excess of returns above proceeds, which, by Mr. Irving's computation, amounts on the average to no more than four millions.

Estimating, therefore, our exports upon this principle, our surplus produce for 1802 would amount to forty-four millions; which, by a comparative survey of the exports of other countries, will evince the vast superiority of the wealth of this country.

I regret that it is not in my power to lay before the public the necessary documents  
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from authenticated data to illustrate this comparison. The exports of France are estimated by M. Necker at twelve millions; the exports of Russia are estimated by Mr. Tooke at about eight millions. I have no means of estimating the value of the exports of other countries; but these are the most considerable commercial nations, and by the comparatively small amount of their exports, we might almost be led to conclude, that the surplus of Great Britain was equal to the collective surplus of the united nations of Europe.

But as we must receive either an equivalent in foreign produce or military services, for the surplus we export, it is evident that the collective exports of the other nations of Europe must be superior in time of peace to the exports of Great Britain, in proportion to the extent of the trade which they carry on with each other. But from this account of their exports, it may be presumed that this trade is not very considerable, as their  
principal



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principal intercourse must consist in the interchange of British produce for their own.

Compared, therefore, with other nations, the resources of this country are eminently conspicuous, and display an energy and power fully equal to the difficulties to which we may be exposed.

But in order that the public may be capable of estimating the real resources of the country with more fidelity, it is certainly desirable that a new rate should be made for the valuation of the entries, and that further regulations should be adopted to procure a more accurate account of the lading than is now in many instances attainable.

I shall now make some enquiry into the existing state of our commerce and point out the injurious tendency of the theory of the Balance of Trade to obstruct its prosperity.

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The commerce of England may be divided into three parts, and may be said to consist of the Home trade, the Colonial trade, and the Transit trade.

The most important part is the Home trade, which consists in the exchange of produce manufactured at home from British materials, and of produce worked by British labour from foreign materials. The exchange of this produce forms the most valuable branch of our commerce; not only because it commands a greater proportion of foreign equivalent from the extent of its value than any other constituent part, but because it is less liable to interruption from the vicissitudes of war. Its vast importance is sufficiently apparent from the official value of the quantity exported in 1802, which was before explained. The value of this and our colonial produce is the true criterion of the resources of the country; because to whatever purpose the produce be appropriated by the direction of national or individual

individual interest, it would return an equivalent in naval stores, military services, or foreign manufactures, according to the necessity or policy of the times, as was evinced in the late war by our exports to Germany.

An alarm has always prevailed, that in the exchange of this produce we were liable to be underfold on the continent by the competition of rival nations. Our enormous paper circulation, which undoubtedly raises the price of labour in this country above its price in others, lends assistance to this competition. But in the danger to which we are exposed, some distinction is to be made in the produce which is worked up of British, and that which is manufactured of foreign materials. The high price of labour has some tendency even to affect the sale of British produce from British materials, as a substitute can always be found among other nations, though of inferior quality; but in the sale of our manufacture, composed of raw foreign materials, which are equally attainable

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tainable by all other countries, our augmented currency may certainly operate injuriously, as the cheapness of labour would enable a rival nation to send them in a wrought state more cheaply to the market than we could; and though I admit that the course of exchange never fails to make a compensation to the foreigner who purchases our produce, however dear in the home market, when no produce similar in quantity and quality be offered in competition to it; yet, if the same sum could purchase a greater quantity of another country of equal quality with our own, there can be no doubt but that ours would be rejected. It is materially essential, therefore, to the interests of this country, that our currency should be kept as much as possible below the relative currency of others, to prevent the consequences which would result from the successful competition of rival nations. That our augmented currency has not hitherto had this effect, the amount of our exports is sufficient evidence. The late unprecedented state

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state of the continent, so little favourable to the establishment of rival manufactures, has prevented the existence of much competition; but a kindly settlement of the disturbances, which have recently prevailed, would, doubtless, favour the efforts that may be attempted.

The theory of the Balance of Trade, upon the principles of which all countries have more or less shaped their policy, has been peculiarly unfriendly to a liberal intercourse, and to a free exchange of the native produce of one country for the native produce of another. Every country possesses some produce more particularly congenial to its climate than another, whether of the animal, vegetable, or mineral world; as the more northerly powers that particular produce which relates to naval stores; Germany, corn and wines; France, wines and oil; and Portugal and Spain, wine and fruits. But as it has always been the policy of this country, as well as others, to favour the trade which  
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lead to an introduction of bullion, more than that which led to an introduction of produce, we particularly prized our trade with Portugal: and great praise has always been bestowed upon the Methuen Treaty, which secured to us, as it was conjectured, a great portion of the bullion which she annually received from America. By this treaty we stipulated to impose a higher duty, by one-third, on French than on Portugal wines, provided Portugal would admit our woollen goods, which was readily conceded, as she procured; by these means, the monopoly of the wine market in this country. Upon the commercial policy of this treaty, at this time, there can, perhaps, be little difference of opinion. It has now existed a century; and it is needless to remark, after the prior observations in this work, that we possess no more Portugal gold at this moment than if no such treaty had ever existed, though we have submitted, during the whole period, to take her wines at a high price, when we could have procured those of France at a  
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much lower, had no prohibition, in consequence of the increased duty, taken place. Had we favoured the introduction of the wines of France, and encouraged the admission of her native produce, she would have encouraged the admission of ours, which would have led to an increase of the domestic produce of both countries, and both would have been more opulent. That this treaty, therefore, has been injurious to our commercial interests there can be no doubt, as our domestic produce would have been augmented, and we should have possessed more wines, of a better quality, at a cheaper price.

But upon the political tendency of this treaty, there may be a difference of opinion. It may be said, that we should have encouraged the opulence of France by the consumption of her wines; and have, therefore, advanced the resources of a power, who, in the time of hostility, is our most dangerous enemy. But I am of opinion, that, previous

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to the revolution, an extension of the commercial relations between the two countries would have materially conduced to our amity; but what effect such an extension may have at the present crisis must be variously conjectured, according to the views in which the leading characters of the country regard its present power.

It appears to me that the admission of their wines upon the same terms with those of Portugal would have a beneficial tendency, as it might direct individuals to employ their capital in the culture of wines, for the increased vent in this country, in preference to employing it in the establishment of rival manufactures to our prejudice, in which there would certainly be much risk of eventual success, as we have necessarily attained more skill and are already in possession of the market. Should a commercial treaty be projected between the two countries, clauses might certainly be introduced to prohibit the establishment of particular rival manufactures

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manufactures in consequence of our admission of their wines. But if concessions are given concessions would be hereafter demanded; and upon the whole of our commercial speculations, I would rather give a free scope to the energy of the British character, in whatever line it may be found most beneficial to direct our industry, than repress it by mutual prohibitions.

In the event of a treaty, however, it appears to me both in a commercial and political light, that this subject is highly deserving the serious attention of the public. Though I by no means wish to convey an opinion, that the cause of Portugal should be deserted if any alteration should be found necessary in the Methuen treaty.

It is remarked by Mr. Hume, that the more opulent the surrounding nations are with whom we trade, the more beneficial it is to us; but this entirely depends upon the produce which forms their opulence. If their wealth

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consisted of the same produce with our own, it would be highly detrimental, as we could get nothing by the exchange; but the more opulent they were in different produce, the more would exchange for the same quantity of our own, and the more beneficial it would be to us. It is therefore for the interest of England to encourage the cultivation of different, instead of rival manufactures; and admit the wines of France, unless political reasons intervene, that would render it, at a particular juncture, prejudicial. Some apprehensions have been at times expressed, that the influence of France might be so great, as to cause the various nations on the continent to exclude us from their ports; but as all commerce is an exchange of equivalents, if our produce were rejected, their produce could not be purchased; and as their trade would necessarily stagnate, such a project would never receive their concurrence.

In the management of our home trade, therefore, particular attention should be paid

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to the capabilities of different countries, in order that there may be a reciprocal encouragement of the domestic produce of each, and that no particular favour be shewn to any, merely for the purpose of attaining a greater quantity of bullion, unless political considerations point out the benefit of the partiality.

The next important branch of our commerce consists in the Colonial trade which arises from our settlements in the West and East Indies; and it is this trade which has been most exposed to the contracted principles of the theory which I considered in the preceding chapter.

The produce of our West India islands was not till lately, by the penetration of Mr. Irving, regarded as similar in principle to the domestic produce of Great Britain; it was proscribed among the general imports that had a tendency to impoverish the country by diminishing the favourable Balance  
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of Trade. It was not exempted from their odium, as it escaped the observation of the supporters of this theory, that no equivalent was given for it, and that no money could be withdrawn in consequence of its importation, as the proprietors of the estates resided in this country, and as much conduced to our opulence by its introduction, as if it were a natural produce of the soil of Great Britain. But every consideration was lost in the popular tenet of the Balance of Trade; and as it was evident that the import of West India produce contributed to swell the general account, every effort was made on the part of government to prevent this seemingly prejudicial effect to the general interests of the country. To remedy this apparent evil, and to make the Balance of Trade somewhat less unfavourable, the project of feeding and clothing the inhabitants from this country was formed and enforced by severe prohibitory regulations against foreign supply. The islands were thus put upon the footing of a foreign nation; and were so

far separated from their connection with the mother country, as their produce was to be purchased for an equivalent, instead of being received as a component part of the aggregate produce of the British empire. Such is the ingenuity of this system, that we thought ourselves in the possession of greater wealth by being dispossessed of a part for the purchase of their produce, than if we had received it for nothing, as the genuine appurtenance of the parent country.

By the principles which I have endeavoured to establish, and which are in this instance sanctioned by the authority of Mr. Irving, the nation is only enriched by its colonial trade, in proportion to the excess of its imports above its exports. If then some proportion of the produce now forced out to our colonies, were diverted to an independent state, for an equivalent in foreign merchandise, and the same quantity of colonial produce were notwithstanding imported, the nation would be enriched by the proportion  
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directed to the continent for a foreign equivalent. If by a forced exportation of seven millions of produce to the West Indies, we received only eight millions in return, which is the present state of our trade, the nation gains but one million by the bargain. But if, instead of this policy, we exported four millions out of the seven to the continent, to be returned in an equivalent of foreign produce, and the eight millions of sugar were received with the aid of only three millions from home, the nation would gain five millions by this trade, instead of one. I have no means of estimating the proportion of supply which the planter would draw from this country, if he were at liberty to choose his market; but it is obvious, that the less exports he take from us, and the more produce he bring to us, the more he advances the interests of his country; and not by the more he take from us, and the less he bring to us, as the Balance of Trade has endeavoured to persuade us.

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It may be laid down as a fundamental principle, to which I know no exception, that in whatever mode a grower can raise his produce, or a manufacturer work his produce, with most advantage to himself, he raises it with most advantage to the public. If a West India planter could procure subsistence from America, or any other country, at half the price that he could from this, it would not only be for his benefit, but it would be greatly for the benefit of the public, who would necessarily receive a greater supply of colonial produce at a cheaper price. The surplus which would arise from an extended cultivation, in consequence of the resort of the planter to a cheaper market, would much more than pay the island expences, and a greater quantity would be introduced into this country for home consumption.

Another regulation highly injurious to the interest of the planter, and therefore injurious

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jurious to the interest of the public, is the forced importation of colonial produce into this country, previous to its exportation to foreign ports. This regulation was established from an opinion, that the planter would not import his sugar into this country, in consequence of the duty, if he were at liberty to take it elsewhere, and that the public revenue would be injured.

Nothing can be more absurd than this regulation; for the moment it has been imported, and paid the duty, it is not only encouraged out again, as fast as possible, by a drawback of the whole duty, but a bounty is given in addition, to pay the expences of the circuitous voyage, lest we should be underfold on the continent by a rival trade. But a permission to the planter to take his sugars, in the first instance, to a foreign port, would not operate injuriously, and prevent the same, or any greater quantity, being introduced for our home consumption, upon which  
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alone the duty is ultimately paid, than is now imported. The quantity consumed in this country is regulated by the prices in the home and the foreign market, under the present system; and it would be regulated by the same criterion, whatever alteration be effected. So far therefore from a more liberal policy having any tendency to reduce, it would materially augment the revenue; as it would increase the powers of cultivation, and cause a greater quantity to be exported from the islands to the continent, than is now re-exported from this country, and would necessarily increase the return of foreign equivalents, upon which for the most part a duty is imposed. And as it would likewise introduce a greater quantity for home consumption than is now imported, which would necessarily pay a greater duty, it would considerably augment the general amount of the imposts of the country. It would be likewise for the benefit of the public; for unless the sugar so exported to the continent

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continent could return a foreign merchandise more valuable to the importer, and consequently a greater desideratum with the public, than the sugar itself, it would be brought into our ports instead of being sent to the ports of the continent.

It is materially essential at the present moment, that the interest of the planter should be particularly guarded; as our West India produce is that part of our commercial system which is most exposed to the successful rivalry of France. If it be an acknowledged fact, that France is capable of raising her sugar, in consequence of less restriction, at a cheaper rate than we can, which I believe cannot be disputed, there is no doubt but that she may be capable of underselling us in the foreign market, unless our export trade be assisted by enormous bounties to the prejudice of the revenue.

The whole of our commercial regulations relative to the conduct of our colonial trade, appear

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appear to me to be inconsistent with the principles of true policy, and to demand the serious attention of the public at the present moment. The restrictions upon this commerce originated in the sophistry of the Balance of Trade, which inculcated the indiscriminate exportation of produce, from a general persuasion, that an excess of exports above imports was an infallible criterion of a favourable balance, and, that whatever tended to this excess, promoted the welfare of the country. Little reference was made to the object for which it was exported. The penetration of Mr. Irving discovered that there was some error in the mode of computing this balance; and as the colonial trade was a trade of remittance, and not of exchange, that the excess of imports above exports constituted our gain instead of our loss; the forced exportation, therefore, of British produce to the West Indies is highly injurious, both to the public and the planter, and ought to be discontinued. If the capital now employed in feeding this trade gradually  
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received a new direction, and were occupied in forming a surplus for the introduction of foreign equivalents, the nation would be enriched in proportion to the quantity that was thus diverted into a different channel. The forced importation of colonial produce appears to me to be equally injurious. But I by no means wish to open our West India ports to foreign ships; the principle of the Navigation Acts should be scrupulously obeyed, and all supplies, from whatever market, and all exports, to whatever country, should be carried in British bottoms.

Though our East India trade be not properly a colonial trade, as the East Indies are a settlement and not a colony, yet, as it partakes of the nature of colonial intercourse, in being more a trade of remittance than exchange, I shall examine it under this head. Our policy towards these settlements does not appear to me to be regulated by purer principles than our conduct towards the West Indies. In my examination of this subject I  
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shall make no reference to the principles which originally dictated the charter to the East India Company; nor take any review of the circumstances which have led to a variation from its spirit. I shall merely observe, what I think will be universally admitted, that if the integrity of the Indian empire had been but lately ceded to us in its present extent, with a population of five-and-twenty millions, we should not have vested its trade and revenue in a joint-stock company, contrary to every principle of private and public interest; we should not have suffered its trade to be monopolized by a few individuals, possessed of funds wholly incompetent to embrace its extent, and wholly incapable of advancing its prosperity; nor should we have suffered its revenue amounting to ten millions of pounds sterling, to be possessed by a corporation of merchants, however respectable, and appropriated at their will, however honourably applied to the support and well-being of their establishment. This subject naturally divides itself into two questions relative

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relative to the policy of a commercial monopoly, and the policy of a disconnected revenue, which I shall consider under separate heads.

I shall not enter into a particular investigation of the policy of a commercial monopoly; it is sufficient for the present purpose to observe, that if the joint-stock company possess sufficient funds to draw forth all the capabilities of the settlement to which they traffic, it is not very material to the public, whether the trade be close or open. But if its capabilities be greater than the means of the company can embrace, the public lose in proportion to the quantity of produce, which a more liberal policy would encourage. Now it is not only admitted that a large surplus is annually cultivated in India, beyond what the funds of the company are capable of bringing home, but that an enlargement of the private trade would still further augment this surplus. Whatever additional quantity, therefore, an encouragement of the private trade

trade would be capable of raising, is necessarily lost to this country in consequence of the exclusive monopoly to the company.

But the privation of the augmented surplus is not the only evil attendant upon this system. The main evil consists in the means which are taken to remit the existing surplus to this country. This surplus far exceeds what the ships of the company are capable of bringing home, and in future years, by the correspondence of the Marquis of Wellesley, it is likely to be still greater. As private ships belonging to this country are excluded from the ports of India, the proprietors of the surplus necessarily remit it in foreign bottoms; during the late war it was brought to the ports of Europe in the ships of Denmark and America. But now there is little doubt but that France will make every effort to participate in the profits of this trade. By this policy we encourage the navy of those states which are always rival, and

and frequently hostile powers, in preference to our own.

But what forms the strongest feature in this policy, is, that we not only encourage the ships of our enemies, but encourage them with British capital. The surplus produce with which they are freighted, constitutes for the most part the private fortunes of individuals, who take these means as the most eligible that offer to remit their property to this country. This employment of British capital in foreign bottoms, is the most flagrant violation of the spirit of the navigation acts, which has been known to take place from their origin to the present times. The fundamental principle upon which they are founded, is to give encouragement to our own in preference to a rival navy, though supported by foreign capital. Yet our present policy authorises and promotes the advancement of their marine by the assistance of our own capital, contrary to the whole tenor of the acts upon which our naval pre-eminence is founded; and after an hundred and

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and fifty years experience of the beneficial effects that have resulted from obedience to their principle.

But we have gone one step farther in support of our enemy. We have not only supported their navy with British capital, but we have given them privileges, denied to ourselves, to prevent our interference even as a rival. According to the same policy by which our West India trade is directed, the East India Company is compelled to bring their ships to our ports without breaking bulk, and land their merchandize in this country, previous to its exportation to the continent; but our enemies are permitted to be the carriers of India produce to any European port, without being subjected to a similar disability; by which they are enabled to undersell us in the foreign market, and exclude us from all competition. We have not only therefore permitted the ships of our enemy to trade in the Indian seas, to the exclusion of our own; but we have supported

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ported them with our capital in preference to our own; and, as if these advantages were not enough, we have given them privileges greater than our own, to prevent the appearance of our merchandize in the market. Had we expressly intended to give up this trade, and resign it into the hands of our enemies, we could not have resorted to any means more efficacious for the purpose.

It is highly requisite therefore, for the salvation of our East India trade, that some alteration should be effected in our present policy. The only effectual means for its recovery appear to me to be, to allow the building of ships in India, to grant the same privileges to British subjects which are granted to our enemies, and to encourage an extension of the private trade.

And first, as to the liberty of building ships in India. It is said that this indulgence would lead to a diminution of shipwrights in this country, and to a breach of the navigation

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gation acts by the employment of Lascars, instead of British sailors. That it would lead to a diminution of artificers in the Thames, is too unimportant a consideration, even if it were likely to have this effect, to have much weight in the discussion of the present question: but it appears to me that it would have a contrary tendency. It is asserted by Mr. Henschman, in a work which he has published upon this subject, that five and twenty thousand tons would be required for the private trade of India, in addition to the forty thousand employed by the company. It is well known that the repairs which the ships are compelled to undergo, after so long a voyage, would considerably add to the number of artificers, instead of tending to their diminution. With respect to the navigation of the ships by Lascars, it is to be remarked, that it was never intended by the supporters of the private trade of India, that their ships should be exclusively navigated by them. It was expressly stated, that they should be navigated  
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y British sailors, if British sailors could possibly be procured. In the policy of this preference, no man can entertain a doubt. But if no British sailors are to be had, can there be any doubt whether we should employ the Lascars or our enemies? Can there be any doubt whether we should employ those who, by remaining a subject and auxiliary power, would strengthen us by support, or whether we should employ those who must ever remain our competitors, and, in the course of human events, must frequently be our enemies? Can there be any doubt which is the most flagrant violation of the navigation acts. So far from there being any impolicy in employing India built ships, it appears to me that it would materially tend to the security of our Indian empire, if a large naval arsenal were erected, under certain regulations that were calculated to give effect to any offensive or defensive operations upon the commencement of a war, and if by a ready conversion of ships in the service of merchants into ships of war,

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a naval force could be easily prepared upon a sudden emergency.

Upon the second question which bears upon this subject, that the same privileges should be granted to British subjects, which are granted to our enemies, it appears to me, that little difference of opinion can be entertained. I attempted to shew, in the discussion of the West India trade, that the removal of this disability would have no tendency to prejudice the revenue, as the same, or a greater quantity of produce, would be introduced for home consumption, upon which alone the duty is paid into the exchequer. This disability is so injurious to the Indian trader, that, unless it be removed, foreign nations would be enabled to undersell us by embarking in this speculation alone upon their own capital. But if we grant the same privileges to ourselves, and it be permitted to the British residents in India to fit-out ships from the Ganges, there is no doubt but that this trade would be speedily recovered from our enemies, as the servants

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of the company always look to the remittance of their fortune to this country, and would greatly prefer the investment of their capital in British, instead of foreign, bottoms. This indulgence, therefore, would immediately depress the marine of our enemy, and advance our own.

I shall now attempt to shew, that an extension of the private trade of India would materially conduce to the general prosperity of the country. If the trade between this country and India be limited to the means of the company, and foreign ships be permitted to visit its ports, advantage will be taken of this concession to cultivate a surplus for their investment, and no adequate measure can be adopted to prevent the consequences that now result from it under the existing policy. But if the private trade be encouraged by building India ships, which are, to all intents and purposes, the property of Great Britain, not only the trade now carried on by British capital in foreign bottoms

toms would cease, but a vast accession of wealth would be annually remitted to this country above our present receipts. By the whole of our commercial and political regulations for the government of India, according to Mr. Irving's computation, the nation now gains no more than two millions annually. But by the calculations of a respectable individual in Calcutta, nine millions might be remitted by the private trade alone, in addition to the investments of the company: and that further aid from home would still further augment the surplus, the correspondence of the present governor general satisfactorily evinces:

The principal arguments which are urged against the extension, are, that it would lead to the departure of bullion from home, and to the promotion of colonization in India. After the foregoing observations of this work, it is needless to remark, that the departure of bullion would not be necessary for this purpose; and, if necessary, would not be injurious. If bullion afforded a bet-

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ter speculation than any other merchandize, it would be remitted; but it would not be exported from this country unless its exportation could be attended with a profit in consequence of our possessing at the time a redundant currency. That bullion is somewhat cheaper in Europe than in India is true, and that it generally forms a profitable speculation; but from what part of Europe it would be purchased, must depend upon the greater or less relative currency of the different countries. It is usually bought of Portugal and Spain, in consequence of its superior cheapness from their American returns. The apprehension respecting the departure of money arose from a conception that it constituted the exclusive wealth of the country.

That it would lead to a system of colonization must depend upon the regulations which may be established to promote or oppose it. But that it would lead to a greater number of British residents, who would more materially conduce to our opulence and security,

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security, there can be little doubt. By the recent loss of America, our fears are somewhat excited by the term colonization; and it may appear to those who have not considered the subject, that the same policy might lead to the loss of India; but no two cases can be more opposite. Not only all intermarriage with the natives is prohibited, but the possession of lands is illegal, which are complete bars to an extended colonization. The present number of European inhabitants over the united empire of India, amounts to two thousand, two hundred and ninety-two, a number little calculated to excite alarm from this system. But even if colonization should be effected to a partial extent, it would be so decidedly the interest of the colony to connect itself with the mother country, that it would be absurd to imagine the possibility of an insurrection. The instant they were separated from us, they would be crushed by the native powers; but the private trade of India would necessarily lead to no such extension of numbers.

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In my opinion it would be politic to augment the present number, as, from the activity of the British character, more produce would be remitted to us; and as our possessions would be more secure from the enterprize of native powers through the intrigues of European rivals.

In a commercial point of view, therefore, it appears, that, so far from the exclusive monopoly of the company conducing to our interest, it materially obstructs it; not only by preventing the return of a greater surplus than is now remitted, but by the measures which are taken, from the insufficiency of its funds, to return the existing surplus in opposition to our naval and commercial advancement.

I shall now make some remarks upon the policy of a disconnected revenue. The vast income now arising from our eastern empire, is appropriated by the East India direction, subject to the controul of the commissioners

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for the affairs of India, and is separated from the public revenue of this country, appropriated according to the established principles of the constitution by parliament. In the earlier charters of the company, no mention is made of any income from taxation, because no conquests were then projected; they are simply regarded as a trading corporation, without any view to their political ascendancy. But, with the commencement and gradual extension of their conquests, their revenue arose and augmented; and as these settlements were not regarded in the light of a colony, no opposition was made, as in behalf of America, to the contributions that were exacted. These contributions now amount to ten millions; but, by our present regulations, they are appropriated by the East India direction, under the controul of the commissioners, because it is thought that the patronage necessarily connected with its collection, would endanger our liberties if possessed by the crown. But

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it appears to me, that the crown would possess no greater influence, and that our liberties would be in no greater danger from an united than separate revenue.

I think it will be admitted by all who are in the habit of reflecting upon political influence, that the superior patronage necessarily includes the inferior. And as the commissioners now possess the political ascendancy, and in reality direct the revenue, subject to the controul of the direction, that our liberties would not be more endangered, if they were compelled, on the contrary, to administer it according to the custom of the country, and the principles of the constitution, subject to the controul of parliament. Upon the present system too, all responsibility for the conduct of our affairs in India is divided between the direction and the commissioners, and may be transferred from one to the other, as best suits the interest of either: which is another reason for subjecting their administration to the immediate controul of parliament.

parliament. So far then from our liberties being endangered, they would be more firmly secured by the alteration, without breaking in upon the constitutional prerogative of the crown, in the appointment and removal of the commissioners. I do not mean in the most distant manner to insinuate, that there has been any misapplication of the public money, or any evasion of responsibility; but it is one of the principles of our constitution, to provide against possible misconduct. Some doubt however may arise, whether any alteration can be made in the present political system, till the expiration of the term during which the charter is current.

The advantages of a connected revenue, would materially tend to the benefit of both countries. During the prosecution of hostilities in India, the expences, in consequence of a disconnected income, must be paid by borrowing money at an exorbitant interest at the feat of war; when, by an united revenue,

it might be raised upon much more advantageous terms at home. During the late war, the company were compelled to borrow money at nine and twelve per cent. when it might have been raised in this country, at half the interest by the guarantee of Parliament; by which a considerable surplus would have remained to be applied to other purposes.

Should the public eventually look to a connected revenue, the debt in India may be now paid off by borrowing the money at legal interest in this country, by which a clear surplus of one million would be annually remitted to us, applicable to the purposes expressed in the charter. This liquidation of their debt would materially benefit the company during the currency of their charter, and would afterwards benefit the public.

Some objection has been made to the payment of this debt, from an apprehension that  
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the transfer of money would be necessary for the purpose. But it appears to me, that the transactions of the company would immediately enable them to effect it by bills of exchange. In the event of a connected revenue, some difficulty might perhaps be at first experienced in remitting the surplus to this country, after the payment of our India expenditure; but, in the course of a short time, the remittance would be made with facility and expedition by bills of exchange.

But the most important object for which I am desirous of exciting the interest of the public, is not so much that we may be exonerated from the weight of taxation, by the contributions we draw from India, but that we may be capable of directing a more disinterested attention to the condition of the people whom the chance of war has put under our protection. And that we may not deliver up an empire of five-and-twenty millions to a company of merchants, in order that, like a bale of their own goods, they may

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may make as much of them as possible. I do not mean to insinuate, that individually, either in themselves or their servants, there is the smallest tendency to avarice or oppression; but that the neediness of the company, from the heavy expences attending the prosecution of their wars, in which from a necessary connection of interest, the political dissensions of Europe, and not their own ambition, have involved them, has in some instances compelled them to resort to a system of extortion, repugnant to their feelings. A connected revenue would prevent the necessity of these exactions, and would enable us to contribute to their support in the time of war, with the same liberality as they would contribute to ours in the interval of peace. Should this junction at no distant period take place, it appears to me that the generous protection of the British parliament would materially conduce to an amelioration of the condition of the unhappy natives. And that the mildest and most inoffensive beings that people the globe would experience

rience greater contentment than they have hitherto known from the oppressive authority of a more northerly power, to whom it has ever been their peculiar lot to be subjected.

By the terms of the charter, by the letter of the bond, no change can perhaps be yet made in the political regulations, should the public upon deliberation acquiesce in its propriety. The only point that immediately presses upon their attention is the support of our own or an hostile marine by a permission or refusal to the British residents in India to fit out ships from its ports; and as I have endeavoured to shew that the exclusive monopoly of the company is injurious to our interest, and that the public would be benefited by encouraging an extended commerce, I trust that the question will be decided in the affirmative. Should this disability be removed, the consequences that will result from it, during the currency of the present charter, will enable the public to form their judgment upon the policy of its renewal for any

any other purpose than the trade with China.

I am not inclined to favour any parallel between ancient and modern times, as political regulations must vary with a variation of circumstances; yet it is natural to enquire what measures have been pursued by one power, and what by another, for the advancement of the same object, in order to ascertain, by comparison, the most enlightened policy. If an examination be made of the principles which directed the conduct of the Roman Senate towards her provinces, we shall discover no traces of the system by which our own is particularised.

They did not insist upon supplying their Asiatic, African, and European provinces from Italy, in order to accumulate money by the Balance of Trade.

They did not imagine that they increased their wealth by parting with it for the purpose

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pose



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pose of purchasing produce which they could procure for nothing.

They did not endeavour to augment their revenue by making their ships bring their cargoes to Rome to pay a duty, which was instantly returned, with a bounty in the bargain, to defray the expences of the circuitous voyage.

They did not permit a company of merchants to rule over the greatest portion of their empire, and receive its revenue, because it would have endangered their liberties to have received it themselves.

They did not invest in a small corporation the monopoly of the trade of a vast province, to which its funds were wholly inadequate.

They did not prefer raising money at an exorbitant interest at the seat of war, when they could raise it at a lower by borrowing it at home.

They

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They did not dispute whether their ships should be built on the Nile or the Tiber, provided they could be employed beneficially to themselves.

They did not, at an earlier period, bestow upon their enemies greater privileges than they allowed to themselves, for the purpose of destroying their own trade.

Nor did they prefer employing their capital in the support of an hostile navy, instead of employing it in support of their own.

But by a general union of interests, by a liberal protection, a connected revenue, and unadulterated policy, they advanced the common prosperity of their empire.

As I have in some degree examined the policy of our regulations respecting the home and colonial trade, I shall now make some observations on the transit trade, the remaining branch of our commerce. This trade

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consists in the intermediate agency of an entrepot, and its profits arise from the deposit of foreign merchandize in its transit from one foreign port to another. But from the contracted principles of the Balance of Trade, which has visited every part of our system, it has hitherto formed comparatively with the great extent of our commerce, a small constituent part.

To supply all the world with produce, and to receive nothing but money in return, is the leading principle of this theory. To increase our exports and diminish our imports is thence the great object of our policy. Exports are therefore encouraged by bounties, and imports prohibited by duties. And as the immediate payment of the duties is exacted the instant the merchandize is landed, this policy has certainly operated with due effect to lessen the amount of our imports; not of those which are received for home consumption as an equivalent for our exports, but of those which would have otherwise

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were been temporarily deposited in this country for re-exportation.

I before noticed that the only trade by which a nation could be properly said to gain, was the trade of an entrepot; because as the exchange was from one foreign produce to another, the commission was paid by the foreign instead of the domestic consumer. But as the immediate payment of the heavy duties upon importation would occupy too large a portion of the capital of the merchant, though a drawback to their whole amount be given upon its departure, foreign merchandize is for the most part deposited in foreign ports instead of our own; and this lucrative branch of trade is in a great measure prohibited to the country.

Great inconvenience, as well as great loss, results from this disability, without any one advantage to compensate the evil. It prevents the accommodation which the merchant would receive from the deposit of  
foreign

foreign merchandize for home consumption, as well as deprives him of the profits that result from its transitory detention for foreign consumption. Previous to the war it was a frequent custom with merchants to deposit their stores appropriated for home consumption in the ports of Ostend and Amsterdam; till, by the sale of their stock in hand, or by an immediate demand for further supply, they had a prospect of a speedy return of the money advanced to government for the payment of the duties. In the mean time they paid a considerable profit to foreign nations for the care of their stores. It is well known, that, on account of the high duties on wines, the merchants are compelled to deposit their stock in Guernsey and Jersey; though it would be precisely the same thing to government, if warehouses were erected on the Thames for their reception, instead of this distant repository. The duties would be paid upon the diminution of their stock in hand, in the same manner as they are at present; and the merchant would

would have the benefit of the transferable warrant, if necessary, with the advantage of possessing their stores more immediately under their inspection. By the adoption of this policy, the spirit of smuggling, which now prevails so much to the detriment of the revenue, would be in a great degree suppressed.

But the material benefit which the country would derive from this policy, would consist in the profits of the transit trade, by its establishment as an entrepot; most of the great commercial states have hitherto acquired their principal wealth by this system. The small republics of Italy, upon the subversion of the Roman empire, for the most part attained their opulence by their intermediate agency between Europe and Asia. They possessed but few manufactures of their own; and acquired the greater proportion of their wealth by the barter of one foreign produce for another. The establishment of free ports in Holland was the prin-

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principal source of its opulence. Like the Italian states, it united the carrying trade with this policy, and enhanced its profits in consequence. Hamburgh is the great instance of a simple entrepot; and by her opulence an inference may be deduced of the policy of the principle. Were free ports established in this country, our agency business would be considerably augmented; and London would be the great entrepot for foreign produce, as well as the great depot for our domestic manufactures. The principal part of the profits which were attained before the war by Ostend and Amsterdam, through the disabilities of this country, would now concentrate with us. The profits are estimated by some as high as twenty per cent. upon the capital deposited; but if they amount to half, or a quarter of that interest, this principle is highly deserving the attention of the public, both as an accommodation to the merchant, and as an accession of wealth to the nation.

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It has been objected that the establishment of free ports would occasion some delay in the collection of the revenue. But as we must consume as much as we grow, the same duties would continue to be paid in the same succession.

In almost every instance, except upon the principles of the navigation act, where government has interposed to violate the freedom of trade, and give it a forced direction from its natural course, its interference has been injurious to our interests.

I have endeavoured to shew, that in the regulations of the colonial trade, where we enforce the exportation of produce that would not otherwise be exported, and where we enforce the importation of produce that would not otherwise be imported, and that in this instance of the transit trade, where we prevent its introduction when it would otherwise be admitted, we act in direct opposition to the dictates of sound policy. We

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have done every thing in our power to force this country to be an emporium for colonial produce, contrary to our interests; and have done every thing in our power to obstruct its establishment as an emporium for foreign produce, when it would materially conduce to our interests. If the prior observations of this work be correct, our present commercial regulations will remain an ever memorable instance of the error into which the collective ability of a great nation may be drawn, by the too easy admission of an illusive theory.

ON

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ON THE  
**DEPRECIATION OF MONEY.**

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CHAP. IV..

**T**HROUGH every period of history, from the conquest to the present times, the value of money has been progressively depressed, though in a greater or less degree, in proportion to the adulteration of the coin, the increase of specie, or the increase of paper. In the ruder ages of society, from the reign of William the Conqueror to Elizabeth, when the distresses of the monarch became too burthenfome for regular payment, and no practicability existed of increasing the currency; the perilous and impolitic expedient

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dient was adopted of raising the denomination, or adulterating the quality of the coin, which, for the purpose of escaping the pressure of the moment, never failed to augment the distress which it was intended to alleviate, by a proportionate depression, instead of a proportionate elevation of the value of money.

The value of all money is, in reality, estimated by the weight, and not by the tale. If, therefore, the constituted authority of the state were to alter the denomination of money, by ordaining, that a fixpence should effect the payment of a shilling, the price of produce would be instantly doubled in nominal value, and government would lose half its revenue. Exclusive, therefore, of the injustice of the alteration, in defrauding the creditors of the state of their equitable claims, government would be eventually involved in greater difficulties, by the same nominal revenue possessing no more than half the power which it possessed before.

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The adulteration of the coin has the same effect with the rise of its denomination.

These expedients have not been latterly resorted to by any country, as paper has, for the most part, supplied the requisite increase to assist the operations of government.

In the reign of Elizabeth, America first made its regular remittances to Europe, and necessarily augmented the currency of this country in a similar proportion with the currency of others. These supplies produced at first a powerful sensation, and raised the price of produce during her reign one third, as the existing stock of specie was at that time comparatively inconsiderable; but as money is imperishable they gradually became of less and less moment, as every successive year they had a less effect than the year preceding, from bearing a less proportion to the aggregate quantity; but they  
still

+ Taxes first imposed to pay  
the interest of funded debt  
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still operated to a depression of money, though in a less ratio. From her reign, therefore, to the reign of William the Third, the value of money continued to decline, though with abated acceleration.

In his reign the increase of currency, by factitious money, was first effected to some extent. The establishment of the bank of England co-operated with the banks on the continent, and the annual remittances from America, to augment the general depression of money. ✕

✕ The banks of Venice and Amsterdam had been already instituted, and had, in some degree, contributed to its depression, by the facility which they gave to the fulfilment of engagements without the intervention of money. In whatever instance a factitious money performs the office of real money, and acts at the medium of exchange in the transfer of commodities, it operates to an increase of currency, and a consequent de-

✕ Banks of deposit and depression  
Some could not have this effect

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pression of money, in proportion to the extent of its agency, and the number of payments which it is capable of transacting. It is of no consequence by what substitute the facilitation is effected, whether by the transfer of credit in the books of the bank, as at Amsterdam, or by the issue of paper for general circulation, as in the instance of the bank of England; they both operate to the depression of money in proportion to the facilities which they afford; but the facilities are much greater in the one instance than in other, and necessarily occasion a greater depression. By the transfer of credit in the books of the bank, the accomodation is principally afforded to merchants, and the payments are for the most part limited to commercial transactions. But the notes of the bank of England, though, in the first instance, for the most part advanced to merchants, have a wide and extensive circulation, and mix equally with specie in the customary relations of domestic intercourse. All other factitious money conduces,



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ces, in the same manner, to the general depression of specie, in proportion to the freedom of its circulation, and the quantity of money which it is capable of sparing for the transaction of other payments. Though bills of exchange, promissory notes, and the notes of goldsmiths had contributed, previous to the institution of the bank of England, to this depression, yet their circulation was principally limited to the negotiations of commerce, and were seldom admitted as current payment, in the ordinary business of retail trade; their circulation, therefore, was less extensive, and their substitution for specie less general. From the reign of William the Third to the present times, not only the paper of this country, but the paper of the continent, has considerably augmented from the numerous banks which have been established in the principal towns. The vast issue of this paper has tended, in a greater degree than the influx of bullion, to accelerate the depression of money; and such has been its powerful operation during the present

+ Paper never can surpass the value of Bullion money in one country <sup>177</sup> than another

present reign, that it has depreciated the value of money to a greater extent than the first fertility of the American mines in the reign of Elizabeth. X

It is somewhat singular that this remarkable depression of money, which has exceeded the depreciation of any former period, should have escaped the acute observation of Dr. Adam Smith. But he had assumed the principle that the price of corn was the best standard of its value, and by an exclusive attention to the price of this commodity, without inquiring into the advance of others, he was inadvertently led to conclude, that money had not materially depreciated during the last century. He did not sufficiently reflect upon the extended cultivation of this produce from the improvement of agriculture, which necessarily prevented the advance of its price in comparison with other commodities that had not increased in a similar proportion. In addition to this circumstance, he was unaccountably inaccurate in

This Country <sup>N</sup> from its his  
 position a great deal of  
 Corn has been raised by the  
 Country

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his review of the effects of paper circulation, which Mr. Thornton, in his late publication, has satisfactorily explained. He had formed a conclusion, that a fictitious money could only supply the place of that quantity of gold which would have otherwise circulated in its stead; and as he was of opinion that it caused no augmentation of the general circulation of the country, he of course concluded that it had no tendency to depreciate the value of money. His reflections, therefore, were solely confined to the influx of bullion from America, and as he thought that the annual supply did not materially exceed the annual consumption, he drew the inference that no depression had taken place in the course of the century.

But the table of Sir George Schuckburgh Evelyn is a masterly refutation of this opinion. In the construction of his table, the learned author has taken the price of many other commodities as well as corn for the direction of his judgment, and has formed a  
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more accurate conclusion on the depression of money, by the mean appreciation of all, than could have been formed by an exclusive attention to the particular value of a single article. The table exhibits, in a comprehensive view, the value of money, in arithmetical proportions, from the conquest to the present times. Its publication is an honourable accession to the literature of the age; it is executed with an ability and judgment worthy of the distinguished talents of its scientific and accomplished author, who has directed the historical reader through a mass of matter, before inaccessible, and has enabled him to estimate, with a near approximation to truth, the private wealth and the public resources of the country through every reign. But, important as it is to the historian in the review of past events, it is still more important to us, at the present period, for the direction of our future policy.

If the arithmetical proportions of this table be examined, it will be seen that the va-

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Value of money depreciated to a greater extent from 1750 to 1800 than from 1550 to 1600, in the reign of Elizabeth.

In the first chapter of this work I attempted to prove that an increase of currency was not an increase of wealth; and that wherever an augmentation occurred a proportionate depreciation of money ensued, by causing the same quantity of produce to exchange for more money, and not the additional money to exchange for more produce. X If this position be correct, the increase of currency by paper must cause the same reduction in the value of money, in proportion to the activity of its circulation as an increase of currency by specie. But a reduction in the value of money and an advance in the price of produce, are synonymous terms; one effect cannot take place without the other; and if paper depreciate money, it must advance in a similar proportion the prices of the articles of subsistence and luxury.

X No partial depreciation of the metals can take place by an increase of paper. The depreciation if any must be general over the world.

The great apparent difference between money and commodities arises from this that Taxes would enter into the value of the metals whereas they form a compound part of the value of all goods.

In the recent publications on the tendency of paper to depress the value of money, the discussion has been generally limited to the particular paper of this country, and the prices of produce of the two or three last years of the present period, when the fluctuation of seasons, and the variation of supply, make it extremely difficult to substantiate the advance from an increase of paper by particular illustration. But if a survey be taken of these last fifty years, and it be found that the value of money has almost depreciated one half, that five hundred pounds in 1750, would have nearly commanded the same quantity of produce that a thousand pounds would in 1800, and an enquiry be made into the cause of this depreciation, no doubt whatever can exist but that the increase of paper has been the great and leading cause of its reduction.

There is every reason to conclude, that the late peculiar high price of provisions was occasioned by a succession of unfavourable seasons

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sons, as the existing stock, at the time of the advance, was consumed without any reduction in its value, and as the former prices were resumed upon the subsequent return of the customary supply. The depreciation of money moves not with such sudden advancement; it has a silent and insensible course, and, "like the inaudible and noiseless foot of time," it steals upon the world without their perception of its progress.

But that the general depreciation of money, during these last fifty years, has more particularly originated from an increase of paper than an increase of bullion, there can be no doubt, or the depression of this period, when the supplies from America have been no greater than usual, would not have been equal to, much less have exceeded, the depression of former periods.

An increase of paper has the same influence on prices as an increase of specie, if it be capable of transacting the same quantity

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of payments, and circulate at par, as its power must be estimated at its current, and not at its nominal value. If the currency of the world consisted of two hundred millions of specie, and two hundred millions of paper, circulated in the same manner as specie, the price of produce would be doubled by the addition of paper. Dr. Adam Smith had conjectured, that paper could only supply the place of the gold that would otherwise circulate in its stead. But, in acting as a substitute for gold, it does not withdraw its equivalent in specie from the general purposes of circulation, though it may lead to its departure elsewhere to maintain the equilibrium of the measure of value.

If it be true, as remarked in the first chapter, that money is constantly directed by individual interest to an uniformity of standard, it is obvious, that it cannot be depressed in one country to a much greater extent than it is in another; and that no nation, either by specie or by paper, can possess a greater

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a greater relative currency than another. The currency of one country may consist of a greater proportion of paper than the currency of another. It is even possible that one may consist entirely of paper and another entirely of specie, as is almost instanced in the present state of the currency of this country and France. As we augmented our currency above its relative proportion, by a vast issue of paper, which France, from the total failure of credit, during the revolution, was incapable of meeting by a similar policy, though many attempts were made, great part of our surplus currency has found its way thither, to bring the measure of value to a common standard. We can no more retain our money under this augmentation of paper, than Spain and Portugal could retain theirs under an increase of specie.

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||| The paper of one country has the same tendency to depress the value of money as the paper of another; it is of no consequence where

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where the increase originates: whether London, Lisbon, Paris, or Vienna. But wherever it takes place, and augments the currency of the country above its due proportion, it will either lead to the departure of specie, or will circulate at a discount proportionate to the excess.

It has been contended, by Mr. Thornton, that country bank notes have no tendency to raise the price of subsistence; or, in other words, to depress the value of money to a greater extent in this country than elsewhere, and augment our currency above its due proportion. He supports his argument by proving, that country notes have no local influence to raise the price of provisions in the place in which they circulate above their price in other parts of the kingdom. But I endeavoured to prove, in the first chapter, that it was not only not in the power of any one particular district to advance the price of its produce above the prices of other districts, but that it was not in the power of any

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any one nation to advance its prices above others, except by prohibition of intercourse. If the markets of the various nations of the world have a reciprocal action on each other to maintain the general equilibrium of money, still more must the markets of the same nation have a stronger influence on each other to the same end. It is not by their local influence, but by their general influence, as a part of the general circulation of the world, that country notes have the same tendency with the notes of London, Paris, or Vienna, to depress the value of money. From whatever quarter the paper issue, the effect is just the same. It may be said of every note sent into circulation, what philosophers say of a pebble thrown into the ocean, that the sensation extends to the shores of the world.

Almost all the nations of Europe have augmented their currency by some addition of paper. The course of exchange is the best criterion how far the currency of one is increased beyond the currency of another.

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By the recent state of our unfavourable exchanges, it is evident, that our currency has been augmented in a greater proportion than any. But if all augmented it in the same proportion, the paper currency of the world may be carried to any extent, and the value of money be depressed in a much greater ratio than it has hitherto been.

Having thus cursorily stated the means by which the value of money has been depressed to a greater extent, within these last fifty years, than at any prior period of history, I shall now make some inquiry into the effects of this depression upon the private and public revenue of this country.

If, upon a general increase of currency, and a consequent alteration of the measure of value, the incomes of all are not advanced in a similar ratio, an injury is sustained in every instance where an exception can be found. As the first effect of an augmentation of currency is experienced in a proportionate advance

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vance in the price of produce, all those whose incomes arise immediately from its sale, suffer little inconvenience, as the prices of all are nearly advanced in a similar proportion. The agricultural, the manufacturing, and the mercantile classes of the community, therefore, for the most part, augment their incomes in the same ratio in which the value of money is depressed; but all those who receive a fixed income, by stipulated contracts, invariably suffer in proportion to the depression, as the same nominal sum no longer retains the same real value.

It is thus that the public revenue is materially injured in all its branches; that the property of the public creditor is diminished; and that the private rents and annuities of individuals are in reality reduced, though they still consist of the same sum.

The general power of the revenue is diminished by the very means that are taken for its increase,

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increase, as the effect of taxation in advancing the price of produce, and causing an increase of currency, necessarily depresses the value of money. Upon this effect of taxation, I shall treat in the subsequent chapter.

The most material sufferer by the depreciation of money is the public creditor, who has no power of renewing his contract at stated periods, and whose interest is paid in the same sum, whatever alteration be effected in the value of money. The powerful agency of this principle in the real, though not nominal, reduction of the national debt, will be the subject of a separate chapter.

In the various other purposes to which the public revenue is appropriated, no doubt, a partial injury is sustained. The effect of the depreciation of money, on that part which is particularly applied to the payment of the civil list, was discussed with great ability



ability in the last parliament; and a short address to the public has been written by Mr. Rose, explanatory of its operation.

In the civil and military offices of state, some reduction of salary is likewise experienced from this diminution of the measure of value, though in many instances an increase has been effected proportionate to the depression. In the pay of the army and navy, the advance has nearly held pace with the alteration; and in the augmentation of the salaries of the judges, the increase is, in some degree, commensurate; but from the obloquy, that never fails to be attached to ministers, who augment the salaries of the various officers in the public departments of the state, where the places are more immediately under their peculiar patronage, no adequate compensation has been made; and as a popular outcry against places and pensions is the necessary consequence of the jealousy that characterizes our constitution, there

there is little chance that any redress will be granted.

In the private incomes of individuals, an injury is sustained in every instance, where a person has rendered himself, by contract, incapable of increasing his income in proportion as money depreciates, and who is annually paid in the same fixed sum, though it no longer retains the same power. These contracts are, more or less, general through all the relations of society; the rents of land, the interest of annuitants, and the wages of labour, are universally estimated by their equivalent in money; wherever, therefore, a variation is effected, a partial injury necessarily results.

A partial injury is sustained by the landlord, in proportion to the extent of the term for which he grants his lease. During these last twenty years, by the proportions of Sir George Schuckburgh Evelyn's table, the value of money has depreciated five shillings in the

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the pound, or five and twenty per cent. If, therefore, a lease of a farm had been granted at the rent of four hundred a year for this term, the landlord would have received at the close of his lease what was only equivalent to three hundred at its commencement, though he still continued to receive the same nominal rent. Upon the renewal of his lease he is generally sufficiently attentive to his interest, to raise his rent commensurate with the depression of money; but during its currency he is constantly sustaining a greater and a greater loss. Yet, as long leases are not very usual, the proprietors of land suffer less injury than any class of the community, who receive a fixed income by the medium of money.

The advantage which is gained by the tenant against the landlord, has no tendency to effect the real value of the land. Land will ever retain its relative value, whatever variation takes place in the standard of money. It has often been remarked, that  
taxation

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taxation, has a tendency to break down the middle ranks of society, and that a person cannot now live upon five hundred pounds per annum, as he could formerly. When a particular sum is mentioned, the remark is just; but the same landed property that formerly produced five hundred pounds a year, will now produce a proportionate sum to enable the proprietor to live with proportionate comfort. Government certainly takes somewhat more than formerly; but the difference is too unimportant to give any countenance to this reflexion.

A comparison has frequently been made between the advantages of landed and funded property; and the preference has in many instances, though with very little reason, been given in favour of the funds. The public creditor is compelled to receive the same nominal interest, whatever depression take place in the value of money. He has no means of renewing his contract, and demanding an advance of income proportionate to the in-  
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crease of currency. His capital suffers the same diminution as his interest. The rise or fall of stocks is problematical, and cannot fairly be brought into the comparison, as it may be at any given moment as much against as in favour of the proprietor. From 1780 he has lost one fourth of his principal and interest, without any possibility of recovery. But though a landlord certainly suffers during the currency of his lease, at the expiration of the term he may invariably raise his rent commensurate with the alteration of the measure of value, and maintain himself in the same relative position in society: his property will ever continue of the same value. The person who twenty years ago invested his money in the funds, will find, that, if he had invested it in land, he would have possessed one fourth more in income and capital, than he can now command; and the further he goes back, the greater will be the difference.

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As the price of corn has not augmented in the same proportion with other produce, it may perhaps be conjectured, that landlords do not receive the same proportionate rent as formerly: but by the improvements of agriculture, not only a greater quantity of ground has been brought into tillage, but the same quantity is made to yield a greater produce; which enables the proprietor of an estate to receive the same income, though the same quantity of corn will not exchange for the same proportionate value. The augmented supply of corn is the best test of the improved state of society. Another cause of the comparative cheapness of corn, is, that its import is not prohibited, unless it be sold at a very reduced price. It is therefore impracticable to raise it to any extent above the prices of the continent, unless, as sometimes happens, its export from foreign nations is restricted.

The private annuitants by bond, mortgage or jointure, suffer in the same manner

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as the public creditors, by the general depression of money. They have no power of renewing their contracts; and no means of redress, whatever alteration ensue.

In the wages of labour some discrimination is necessary. The means of combination among the manufacturing classes form an evil to be redressed, instead of a remedy to be encouraged: but the labourers in husbandry have not the same power. The late enormous increase of poor rates is in some degree evidence, that their wages have not been advanced in an adequate proportion; but the difficulty of elevating the labouring poor, of whatever class, to a state of comparative comfort is insuperable. An adjustment of the due proportion of the wages of labour is among the most difficult branches of legislative science; as an advance in the price of labour is affixed on the produce, and eventually renders the increase unavailing. The exertions which the leading characters of the country are now making to augment the

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the quantity of produce, are the most effectual means for their relief; as it will enable their labour to exchange for more subsistence, and, in proportion to the excess, ameliorate their condition.

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ON THE  
REFORMATION  
OF THE  
*PAPER CURRENCY OF THIS COUNTRY.*

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CHAP. V.

THE increase of the public revenue appears to me to have been the principal cause of the progressive increase of the paper currency of this country during the preceding century.

240 It is an established principle in taxation, that all duties should be paid by the consumer. For this purpose, whenever a tax is imposed on any particular produce, an advance

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vance is made in its price, commensurate with the impost. But as the existing currency of the country is no more than adequate to circulate its produce at the existing prices, if the price of any particular commodity be advanced, more money will be requisite for its movement, and an increase of currency must be effected to support its transfer. But an increase is not only necessary to enable the grower to raise the price of the produce on which the duty is imposed; but an additional increase is requisite to enable the consumer to pay for it. If the income of the consumer continued the same, it could only be occupied in effecting the same payments which it previously made. If larger payments be required, a greater currency is necessary to facilitate their transaction. In order therefore to remove the liability of the grower, and to give effect to the principle that the duty should fall on consumption, it is not only requisite that an increase of currency should take place to raise the produce of

of the grower; but an increase is likewise requisite to raise the produce or labour, from which the income of the consumer proceeds. It is thus that the partial imposition of a duty on any one particular commodity resembles, in its operation, a general impost on all, by occasioning a general advance of existing prices.

It may perhaps be imagined that an increased rapidity of circulation may be capable of supporting the advance, without an augmented currency; but, whenever there is the smallest tendency to an insufficiency of currency, an immediate stagnation of trade will ensue from the difficulty of carrying on the customary sales; and so far from an increased demand of money operating to an accelerated circulation, it never fails to impede its activity by retarding the exchange of commodities. Circulation will always be most rapid when the supply is most abundant.

In

In the infancy of the present system of our revenue laws in the reign of William and Mary, the nation was peculiarly embarrassed, by the inadequacy of its currency to support the advance of prices, in consequence of the increase of taxes. Previous to the establishment of the bank of England, when no power existed of augmenting our currency in proportion to our exigencies, there was great difficulty in effecting their payment. It is selected by Mr. Chalmers from Davenant, that, upon the imposition of a duty, the burthen rested upon the grower, by a diminution of price proportionate to the impost, instead of an advance. This partial pressure was peculiarly injurious, as it precluded his indemnification, and caused a reduction of income at the time that his contributions to the state were augmented. Had not the spirit of the times been remarkably zealous in support of the new constitution, it would have been scarcely practicable, to have carried on the regular operations

+ *Thoughts on the circulation  
of Gold* ( 202 )

rations of government under such circumstances.

X This effect of taxation originated in the insufficiency of our currency to circulate the existing produce at the advanced prices, which the imposition of duties made necessary; but the establishment of the bank of England had an immediate and sensible operation, notwithstanding the difficulties attendant on a new institution, to relieve the nation from the embarrassments with which it was oppressed. From the foundation of this company, an increase of the revenue has been attended with less oppression, as the currency of the country has invariably augmented in proportion to its necessities. Upon every subsequent addition to our public burthen, the grower or manufacturer has uniformly advanced the price of the produce on which the duty was levied, for the purpose of imposing the ultimate liability on the consumer; and the consumer has advanced the price of the produce from  
which

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which his income arose for additional means to accomplish its payment. The facility which the bank gives to these advances constitutes one of its chief utilities; as without an increase of currency, it would be impracticable to augment the incomes of individuals at the same time with the revenue of government.

This eventual tendency of taxation to extend the operation of the duty beyond the produce on which it is imposed, has hitherto been insufficiently noticed by the public. It has been generally concluded, that it only necessarily occasioned an advance on the commodities subjected to the duty; and that a tax on luxuries had no influence, immediate or remote, on the necessaries of life. But since, by subsequent extension, an advance is made in the produce exempted from duty for the purpose of supporting the rise on the produce on which it is levied, a partial tax on one produce becomes a general tax on all; and that, which, in the first instance,



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instance, appeared to have an exclusive bearing on the rich, is eventually distributed in a similar proportion on the poor; and, unless the wages of labour be advanced in an adequate ratio, it is evident that the public burthen presses with more severity on them, than on the opulent.

But though the increase of the public revenue appears to me to have been the most efficient cause of the progressive increase of paper, yet it has been frequently remarked, and was much relied upon, by all the commercial characters who were examined before the Secret Committees of the Houses of Lords and Commons, that the increased scale of transactions in this country required an augmented currency; though none were desired to define the extent. There is no doubt but that an increase of produce would have required an increase of currency, so far as to have maintained the equity of existing engagements, by preventing a reduction of prices, which might have turned the contract

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tract as much in favour of those who receive their equivalent in money, as it now is in favour of those who pay. But the increase for this purpose would not have been considerable. It forms so small a part of the augmentation which has taken place, that it is hardly necessary to mention it as one of the efficient causes: so far from increasing only in the same proportion with produce, our currency has increased to such an extent, as to advance its price in a ratio far beyond all former precedent. To what extent the increase was necessary, for the purpose of supporting our system of taxation, it is impossible for me to calculate: but, in order to support the increased scale of our transactions, it was only necessary so far as to prevent a reduction of existing prices.

Having thus stated what appear to me the necessary causes of an increase of currency, I shall now make some inquiry into the paper circulation of this country, and endeavour

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deavour to point out the most eligible means of its reformation.

The greater part of our paper currency is issued by the Bank of England. No doubt whatever can be entertained respecting the utility of this establishment. It was instituted at a difficult and dangerous period, when a great increase of taxation made an increase of currency necessary to support the revenue, and relieve the nation from the difficulties under which it laboured. \* During a period of an hundred years, and through the variable success of five wars, it has uniformly contributed its support to the state, and preserved the confidence of the public; unless the momentary pressure in the year 1745 can be said to form an exception. During this time it possessed the exclusive responsibility of supplying the nation with specie, and from its first institution to the termination of the American war no scarcity was experienced.

\* It is approved of the History  
of the Bank

From

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From its responsibility to exchange its paper for specie, previous to the suspension of cash payments, it was materially interested in preventing our currency from being augmented above its relative proportion. As the course of exchange is the exclusive criterion how far the currency of one country is augmented above the currency of another, the bank was careful to regulate its paper in proportion to its variation. Whenever exchange was adverse, it immediately felt the effect by a drain upon its house for specie to be remitted to the continent. It was instantly sensible that our currency was augmented above its proportion; and by contracting its paper, and reducing the general means of payment, it forced out a certain quantity of produce, to rectify the balance of trade, and bring exchange to a par, as was noticed in the second chapter of this work, in treating on the subject of coinage. Though the specie of the country was clandestinely exported, pending the unfavourable

able exchange, yet the stores of the bank were frequently adequate to supply the quantity demanded, and throw into circulation a sufficiency of coin to uphold the credit of its paper, till the rectification of the balance was effected; or, if inadequate, it purchased, though at a loss, a competent quantity for the purpose. But it so far limited the general amount of its paper, as to prevent the frequent recurrence of unfavourable exchanges, which might lead to a departure of specie to such an extent, as to cause an alarm at the scarcity, and shake the foundation of its credit, by a consequent drain upon its deposits.

But the peculiar excellence of this establishment consisted in its exclusive regulation of the whole paper currency of the country, by which it was enabled to effect its increase or reduction in proportion to the exigency of the times, without much embarrassment to itself or the public. Though, by a liberal application of its resources, it promoted the private

private interests of individuals, and relieved the financial difficulties of government; yet, by a judicious and temperate use of its power, it kept the currency of this country in such a proportion with the currency of others, as to leave a sufficient quantity of specie in constant circulation for all the common purposes of domestic intercourse. The ability with which it regulated our currency secured the stability of its credit, for, though during the depression of exchange, a demand was made for specie from the profit attainable by its clandestine remittance abroad, yet, throughout the whole of the preceding century, no drain was made from the slightest aspersion on its credit.

✕ Its difficulties commenced with the establishment of country banks; and, during the circulation of their paper, its difficulties must continue. It appears to me that all the commercial and financial embarrassments which harrassed the country during the late

*✕ Its difficulties were solely war, owing to the balance of trade being on our side the war period*

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war, exclusively originated in the sufferance of their notes.

In order therefore to point out the means of reform, it is necessary to investigate the policy of this indulgence.

In this review, I shall endeavour to prove that the paper of country banks must ever form an inefficient and dangerous medium of circulation, from its liability to sudden contraction in the period of alarm; and its tendency to as sudden an increase in the moment of security; and that its continuance is inconsistent with the stability of the national bank, and the general interests of the country.

Between the termination of the American and the commencement of the late war, country banks were instituted in all the principal towns of the kingdom; and up to the year 1793, their notes had a free and easy circulation, without exciting much public uneasiness;

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uneasiness; though the bank entertained an early prejudice against them, from the difficulties which were likely to ensue to their own establishment. Upon the breaking out of the war, and the first tendency to alarm in the public mind, their stability was put to the test. The mere agitation occasioned by such an event, was sufficient to excite a suspicion of their credit: and, when once excited, its suppression was impracticable: though at first partial and insignificant, it spread with irresistible rapidity, and increased in force as it increased in extent. The greater part of their notes was instantly contracted, and the currency of the country was reduced to such a degree, as to cause the utmost distress from an insufficiency of means to effect the customary payments. It is impossible for me to calculate the quantity withdrawn from the purposes of circulation; but I should not think that the reduction would be overstated at three millions. This sudden contraction of so large a proportion of our circulating medium, necessarily dis-

abled the fulfilment of engagements, and produced an extent of calamity unparalleled in the history of this, or any other country. No less than \* one thousand three hundred and four bankruptcies were the consequence of the reduction.

In this crisis, they made application to the Bank of England for relief. But as the directors were alarmed at the difficulties that threatened their own institution, from the preceding issue of their paper, assistance was refused. The metropolis soon became distressed in the same proportion with the country towns; as great part of its currency was withdrawn to fill the chasm which had been made in the currency of the other parts of the kingdom. The mischief, already extensive beyond all former precedent, was likely to be productive of still greater calamity, had not government interposed to arrest its progress: the issue of exchequer bills was peculiarly necessary at this juncture,

\* Vide Chalmers, p. 290.

they

they provided the country with its due proportion of currency, and prevented any further extension of the mischief.

Though many country banks escaped without injury in the general shock, yet none were free from alarm. None could tell how soon the blow might be repeated, nor what degree of injury it might be capable of effecting. As soon as the public consternation subsided, they took the only means in their power to provide against the evil which might result from its return, by securing a connection with the London bankers. By this connection, they were enabled to procure the support of the Bank of England, notwithstanding its repugnance to assist them. Though, previous to the suspension of cash payments, no private London banker applied for assistance in his own name, as the application might have been deemed a reflection on his credit; yet assistance was easily procured, by requesting his customers to send bills in theirs to be discounted for him. By this

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this intermediate agency, the London bankers were capable of extending the loans of the bank to their country connections, and of giving them that support which had been refused to their direct application: they thus secured to themselves the power of offering a certain quantity of bank notes, or specie, upon any sudden aspersions on their credit.

In the year 1797, another alarm gave rise to another suspicion of their stability. But by the measures which they had taken, the press was in reality directed against the Bank of England instead of themselves. Immediately that a run was made upon them, a drain was made upon the bank for specie through their London connections, and vast sums were remitted for their support. In proportion as the alarm became prevalent, and paper became contracted, specie was the more and more demanded to supply the vacuum. The bank, apprehensive of being exhausted of its deposits, pursued its accustomed

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tomed policy, and reduced the amount of its notes. By this diminution it augmented, in a greater degree, the general distress, without any relief to itself, as the smallest quantity of paper which it continued permanently in circulation would be sufficient, by frequent exchanges, to draw out any given sum of money, and eventually to drain it of its stores. As this policy, therefore, had no other effect than to aggravate the evil which it was intended to remedy; and as, by an increased demand for specie, great danger existed of a total privation of its deposits, it was reduced to the necessity of applying to government for support, and suspending its cash payments. But no blame is imputable to the directors; they found their house involved in difficulties by no imprudence of their own, and adopted the line of conduct which existing circumstances, in their opinion, demanded. No doubt whatever can be entertained, but that the order of council was necessary at the time to prevent worse consequences.

But

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But though the order of council was necessary at the pressure of the moment, yet the directors appear to me to have misunderstood the nature of the evil with which they had to contend. They did not discriminate between the cause that usually led to a drain upon their house for specie, and the cause that led to it in this particular instance. It has already been repeatedly remarked, that when the currency of the country was augmented above its due proportion, exchange became unfavourable, and caused the departure of specie to maintain the common standard of money; and as, during the depression, a demand was made upon the bank for specie, that it contracted the amount of its notes, and, by reducing our currency to its relative proportion, prevented the further demand for gold by preventing the profit attainable upon its remittance. They found, therefore, that whenever there was an unusual drain, the most effectual means of counteracting the pressure, was by a diminution of its paper in circulation; and in every

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every instance, which had hitherto occurred, this policy was correct, because the drain had been occasioned by a redundant currency. But their difficulties, in the present instance, in reality arose from too great a diminution of currency, in consequence of the sudden disappearance of the country notes, and not from too great an increase, as a reference to the course of exchange would have satisfactorily explained to them. Upon the first commencement of the contraction, and for some months previous to the order of council, the course of exchange had been favourable, which afforded conclusive testimony, that the drain could not be occasioned by a redundant currency; but, without adverting to the difference of the causes, their minds were so prepossessed with the idea, that a further contraction was necessary; that they urged government to pay up the advances which it had received, in order that they might still further diminish their notes, from a conviction, that the more they were diminished, the less would be the drain.

But



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But they now found, what had never hitherto happened, that the more they contracted their paper the more the demand for specie increased; and as this was a situation which baffled all their experience, they were totally incapable of applying the proper remedy. Misunderstanding, therefore, the nature of the evil, and contracting their notes, when they were in reality called upon to fill the chasm, which the reduction of the country paper had made, they necessarily augmented their difficulties. They did not discriminate between the drain occasioned by an augmented, and the drain occasioned by a diminished, currency; but, pursuing the same policy in the one case as in the other, they aggravated the evil to their own disadvantage.

It thus appears, that the two great failures with which we had to contend, amidst the difficulties of war, originated in the circulation of the paper of country banks, in which the public never reposed a satisfactory confidence;

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confidence; and which, from its peculiar liability to suspicion, and sudden contraction in the moment of alarm, must ever form a dangerous and inefficient medium of circulation.

Another evil attending the circulation of their paper, is, its tendency in the period of security, to increase the currency of the country above its relative proportion. From the responsibility of the Bank of England to exchange its notes for gold, previous to the suspension of cash payments, its paper was always regulated by the relative amount of our currency. But there is no controul on the issue of the paper of country banks. It is said, by Mr. Thornton, that they are, in some degree, necessitated to limit their notes in proportion to the amount of the paper of the Bank of England. But this controul appears to me more specious than efficient. During the public confidence in their paper, few bank notes are wanted, and little variation is experienced

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in its amount, whether the discounts of the bank are increased or diminished. The only efficient controul is its liability to suspicion; but as, during the interval of security it circulates with the same freedom as the paper of the bank, whatever quantity the public will endure is pushed into circulation without any regard to the amount of bank notes, with which it then has little concern.

In December, 1795, between the two disastrous periods of 1793 and 1797, the bank was as much distressed by the sudden increase of their paper, as in the two years above alluded to by its sudden contraction. As the collective currency of the country cannot be increased in any considerable extent above its relative proportion, the greater the amount of country notes, the less must be the amount of the paper of the Bank of England: and as, in the year 1795, the country banks had, in a great degree, recovered from the shock of 1793, and gained additional security by their London connections, they  
again

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again pressed their notes into circulation with similar avidity, and necessarily produced a redundant currency. The course of exchange in consequence became unfavourable; and, as pending its depression, a drain was made upon the bank for the clandestine remittance of specie to the continent, it was reduced to the necessity of limiting its discounts, to prevent any further demand. It was thus compelled to afford a partial and scanty assistance in support of the mercantile credit of the city, from the onus to which it was liable of supplying any given quantity of specie in exchange for its paper, while the country banks were profiting by the unlimited issue of their notes, without any subjection to a similar responsibility. The embarrassment which this resolution occasioned, has been too repeatedly noticed to require any comment from me. It is thus, that, in the moment of alarm, they distress the bank by the sudden contraction of their paper, and in the moment of security by its sudden increase.

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In the second chapter of this work, I attempted to prove, that it was materially essential to our commercial interests, that our currency should have a tendency to be relatively less, instead of relatively greater, than the currency of other countries; but as country notes, in the interval of security, counteract this policy, it is obvious that they lessen our means of competition in the foreign market, and retard our export trade by the frequent recurrence of unfavourable exchanges.

The total disappearance of our specie, in consequence of this depression of exchange, may not, by some, be thought an evil, as it may be said to be of little consequence, whether a piece of paper or a piece of gold be given as the measure of value. But I am convinced, that it would be a greater gratification to all, if, instead of receiving a medium of no intrinsic worth, they received one of real value. It is likewise to be remarked, that the notes of country banks de-

press

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press the value of money in proportion to the specie, which they spare for the transaction of other payments; which, if the calculations of the subsequent chapter be correct, will not be thought an immaterial objection.

I before stated, that the specie of this country did not amount to five millions of pounds sterling. If Mr. Newland's evidence, relative to the excess of the paper\* above the cash payments of the Bank of England, in the city of London, and if the excess of the paper of country banks above our specie, in the other parts of the kingdom, be considered, I am confident that this assertion will not appear extraordinary. I was informed, not long since, by a country gentleman, whose half yearly rents amounted to one thousand six hundred pounds, that he literally received no more than one guinea in their payment. This may be a singular instance; but every

\* Vide Report of the Committee of Secrecy of the House of Lords, page 63.

person

person must be sensible, from his own receipts, that the paper of country banks far exceeds the amount of the specie in circulation.

From their first establishment, therefore, to the present moment, the circulation of their paper has involved this country in a continued series of difficulties, without effecting any one advantage to compensate the evil. The bankruptcies of 1793, the limitation of discounts in 1795, the suspension of cash payments in 1797, and the total disappearance of specie, from the subsequent unfavourable exchanges, in consequence of the subsequent increase of their paper, exclusively originated in the sufferance of their notes, as a constituent part of the permanent currency of the country, for which they are wholly inefficient.

But, through the various critical periods of the preceding century, no event had any effect to lessen the confidence of the public in the stability of the bank of England; and had not the country banks, by a masterly stroke

stroke of policy, involved it in disgrace for their own security, there is no doubt but that it would have discharged its duties to the public, without any imputation on its credit through the late eventful contest. In the direction of their attention to this subject, I trust that the public will consider, that there is a material difference in the institution of a national bank, which circulates its paper for the support of the public revenue and public credit, and the institution of private banks that circulate their paper for individual advancement, and detriment the country for their own exclusive benefit.

In order, therefore, to obviate the danger which threatens the Bank of England upon a return of cash payments, and to prevent the probable recurrence of the calamities of 1793 and 1797, it appears to me absolutely necessary, that the circulation of country notes should be prohibited. But previous to a discussion of the most eligible means of effecting their abolition, it is necessary to make

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make some observations on a contraction of currency.

The effect that attends a variation of currency, whether by increase or diminution, seems not to have been hitherto sufficiently considered by the public. Though it be of no consequence whether the produce of a nation be moved by a currency of five millions, or a currency of fifty, yet it is of consequence, that whatever be its amount, it should suffer as little variation as possible. Every variation in its amount effects a proportionate variation in the value of money, and a proportionate alteration in the spirit of all the existing contracts of society, in which money forms the measure of equivalency between the contracting parties. If currency increase from the commencement of a contract, the receiver must have less than his equivalent, and the alteration would be in favour of the payer: if currency be diminished from its commencement, the receiver would have more than he ought, and the variation

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variation would be against the payer; because, in the first instance, the same quantity of money would command less, and in the second instance, more than was intended by the original agreement. In order, therefore, to maintain the equity of existing contracts, it is essential, that currency should vary as little as possible. But the evil attending a diminution is much greater than the evil attending an increase. As the existing currency of a country is no more than adequate to circulate its produce, at the existing prices, it is obvious, that if any reduction be made, the remainder will be insufficient for the purpose. Either prices must fall, or trade must stagnate; and as the same sums would not be attainable by the same produce, it would be impracticable for the public to make their stipulated payments and fulfil their engagements. The calamities of 1793 sufficiently point out the mischief that would ensue. But in an increase of currency, all contracts are performed with greater facility, and though the receiver be injured, the injury

jury, for the most part, escapes observation ; or, if observed, is silently endured. The evils are only apparent in the slow and gradual depression of the value of money.

Great care, therefore, should be taken in the plan proposed for the reformation of our currency, that no considerable reduction be effected. The most eligible mode appears to me to be, that the bank of England should possess the exclusive privilege, which it so long exercised, and with so much utility to the public, of regulating the whole paper currency of the country ; that the circulation of the notes of country banks should be declared beyond a given period illegal ; and that the bank should substitute the same or nearly the same quantity of paper in their stead, till, by a gradual contraction, and a long course of favourable exchanges, it be capable of providing a sufficient quantity of specie to supply its place. By these means the abolition of their paper would be effected without the embarrassment which a sudden  
reduction

reduction would occasion. This appears to me the least objectionable plan of reform, as it effects the least change of existing circumstances, and creates the least injury to the banking line.

I am not aware that any well-founded reason can be urged against it by the supporters of country banks. It will certainly prevent the circulation of their notes, which ought to be prevented, but it will not operate against the fair profits of their trade, by a proper use of the deposits in their hands ; but whatever objections may be urged against this particular measure, it appears to me absolutely requisite, for the security of the bank of England and the general interests of the country, that some check should be imposed on the issue of their notes.

If a reformation be made in the paper currency of this country, it would, in my opinion, be equally politic to regulate the  
paper

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paper of Scotland and Ireland upon a similar principle, by the establishment of national banks at Edinburgh and Dublin, connected with the bank of England. Such has been the extent of the paper circulation of Scotland, that five shilling notes have been issued for the transaction of inferior payments; and, by the information which I have received respecting the paper of Ireland, the disorder of their currency has exceeded our own, and more immediately requires the interposition of parliament. The vast concerns of the bank of England will enable it to regulate, with facility, the comparatively small amount of its currency. This connection will, at the same time, conduce to its commercial prosperity, and materially promote the advantages resulting from the union.

ON

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ON THE  
REDUCTION  
OF THE  
NATIONAL DEBT  
BY THE  
*DEPRESSION OF MONEY.*

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CHAP. VI.

PREVIOUS to the publication of Sir George Schuckburgh Evelyn's table, no author had attempted to ascertain the regular progress of the depreciation of money in arithmetical proportions; and, without an accurate knowledge of the gradation, no application of the principle could be made. In the various publications, therefore, which have appeared on the policy of our funding system



system, no one was capable of investigating the reduction which had been made in the debt by the operation of this principle, as without a knowledge of the comparative value of money, during a considerable period, it was impracticable to point out the extent.

Though, therefore, the depreciation was known to exist, yet, in treating on the subject, all authors reasoned as if the standard of money were invariable, and regarding every augmentation, immediate or remote, as a permanent addition at the existing standard, they imagined that the period was not far distant when no further accumulation could be borne. They did not consider that the

very means to which government resorts for an increase of revenue, in a great degree, makes the evil of taxation bring its own remedy, as the imposition of duties, by the consequent advance of prices, necessarily occasions an increase of currency, which reduces the standard of money, and makes the

*This is relieved by creating a demand for the money which is the necessary result of public*

public

public, in part, regain what they contributed, as the revenue is no sooner augmented, than a diminution is effected in the same proportion in which the value of money is depressed; and if, through any given period, the depression hold pace with the increase, it is obvious that the debt and revenue, though nominally augmented, would really continue the same, as any given proportion of them would only exchange for the same quantity of produce.

*Dr. Smith did allude to it in his Differs in opinion p. 271*

From the inattention of our best political writers, Mr. Hume and Dr. Adam Smith not excepted, to the operation of this principle they were uniformly deceived in the view which they took of the increasing magnitude of the national debt. At the commencement of the funding system, it was generally imagined that the nation would sink under the pressure of the burthen which it then endured; but all were unanimously of opinion, that any considerable increase would

*V. 1. P. 253  
269  
247  
248  
V. 1. P. 215*

would inevitably lead to convulsion, from the incapability of effecting the payment of taxes. Yet accumulation has been added to accumulation, and, to the astonishment of the nation and the world, every successive addition has been supported with the same facility as the preceding one, and the burthen, with all its accumulations, is now sustained with no greater apparent pressure than the first inconsiderable debt upon the adoption of the system. But had the value of money remained at one invariable standard, as they had assumed in reasoning on the subject, the conclusions which they formed might, perhaps, have long since been realized.

The secret agency of this principle will, in some degree, explain the mysterious means by which this country has hitherto maintained such numerous wars with inexhausted resources. Properly speaking, the resources of a country consist in its produce; but the  
 expedient

expedient to which we have had recourse for the raising of supplies, may be almost said to constitute inexhaustible means; for so long as the depression of money keep pace with the increase of revenue there is little danger of diminution, as the intervals of peace, for the most part, repair the privations of war. A retrospective view of the effects which this principle has produced, will remove our surprise at the patience with which the public have endured, and the facility with which they have discharged so great an increase of taxation. For such has been the depression of money, that notwithstanding the apparent increase of the public burthen, it pressed with nearly an equal weight upon the people through the greater part of the preceding century; and as the exactions of one period did not far exceed the exactions of another, however nominally augmented, there was little difficulty in effecting their payment, as little alteration was made in the customary contributions.

During

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During the preceding century, according to Sir George Schuckburgh's table, the value of money was depressed in the following ratio, putting its value, in the year 1700, at two hundred and thirty-eight,

In 1700	238	In 1760	342
1710	247	1770	384
1720	257	1780	427
1730	272	1790	495
1740	287	1800	562
1750	314		

Two hundred and thirty-eight pounds, shillings or pence, therefore, in 1700, were equal to five hundred and sixty-two pounds, shillings or pence, in 1800; that is, would have purchased the same quantity of produce; and all the different sums were, at the year to which they are appropriated, equal to each other, or would have exchanged at the particular period to which they belong for the same value. These proportions being given, any person acquainted with

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with the rule of three, without the aid of decimal fractions, may make whatever calculations he may deem necessary to elucidate the subject to his own satisfaction.

By the application of the proportions of this table, to the progressive increase of the revenue, it will be seen, that through the greater part of the preceding century it diminished in value nearly in the same ratio in which it increased in magnitude, as the following calculation will illustrate.

The revenue of Queen Anne, at the time of the union in 1707, according to Sir John Sinclair's history, was five million six hundred and ninety thousand pounds; which, by taking the standard of money in that year, at two hundred and forty-five, and the standard of money in 1800, at five hundred and sixty-two, will make her revenue equal to thirteen million and fifty thousand pounds, of the money of 1800. The revenue

venue of the different reigns of the last century, estimated upon this principle, by a common rule of three sum, viz. as 245 is to 562, so is £.5,690,000 to £.13,050,000, will stand thus :

	£.	£.
Q. Anne, 1707, *245 = †562 = ‡5,690,000 = §13,050,000		
George I. 1727, 267 = 562 = 6,760,000 = 14,228,000		
Geo. II. 1760, 342 = 562 = 8,520,000 = 14,000,000		
Geo. III. 1770, 384 = 562 = 9,500,000 = 13,900,000		
Geo. III. 1780, 427 = 562 = 12,200,000 = 16,000,000		
Geo. III. 1790, 496 = 562 = 15,500,000 = 17,500,000		

By this calculation, it appears, that the depression of money, from 1707 to 1770, for the most part, kept pace with the increase of the revenue, and, in some instances, advanced with greater rapidity. That the revenue of Queen Anne, though nominally four, was in

\* This column shews the standard of money at the year to which the proportions are appropriated.

† The value of money at the standard of 1800.

‡ The revenue at the year to which it is appropriated.

§ The value of that revenue in the money of 1800.

reality

reality only one million less than the revenue of his present Majesty in 1770; that the revenue of George II. at the commencement of his reign in 1727, was superior to his revenue in 1760, though nominally two millions less, and superior to the revenue of his present Majesty in 1770, though nominally three millions less; and that the revenue of 1760 was greater than the revenue of 1770, though nominally one million less. It is evident, therefore, that the public burthen pressed with nearly an equal weight upon the people through the greater part of the preceding century; and that the nation was more severely taxed in 1727, than in 1760 or 1770, though the pressure was supposed to be considerably greater in the latter periods. According to Sir John Sinclair, the total expenditure of Queen Anne's reign was one hundred and twenty-two millions, which, by taking the medium standard of money in her reign, at two hundred and forty-seven, will be equal to two hundred and seventy-seven millions of 1800, and as her

her annual average expenditure was ten millions, equal to twenty-two millions of 1800, it equalled the annual average expenditure of the present reign.

But the following calculation, constructed on the same principle, will give a general view, in round numbers, of the comparative value of the revenue during the eighteenth century.

	£.	£.
1700,	238=562=	4,000,000= 9,400,000
1710,	247=562=	5,500,000=12,500,000
1720,	257=562=	6,000,000=13,100,000
1730,	272=562=	6,500,000=13,400,000
1740,	287=562=	7,000,000=13,700,000
1750,	314=562=	7,500,000=13,400,000
1760,	342=562=	8,500,000=13,900,000
1770,	384=562=	9,500,000=13,900,000
1780,	427=562=	12,000,000=15,700,000
1790,	496=562=	15,500,000=17,500,000
1800,	562=562=	30,000,000=30,000,000

P17  
P59  
P69  
P122  
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It is true, that if money had remained at a fixed standard, previous to 1800, the revenue

venue would not have been nominally so great as it is at present, because such large sums would not have been required for the public service. But as money has been depressed to such an extent, it is necessary, for the direction of our future policy, to ascertain what diminution the revenue has sustained by the depreciation; which the following table, by shewing its gradual increase at the existing standard of the times, and the value of that increase in the money of 1800, will, in some degree, explain.

In the year 1700, our revenue, at the standard of the times, was four millions; which, according to the proportions of Sir George Schuckburgh's table, was equal to nine millions four hundred thousand pounds of the standard of 1800; and the increase from 1700 to 1710 being one million five hundred thousand pounds, was equal to three millions four hundred thousand pounds of the standard of 1800. The progressive increase of the re-

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venue, estimated upon this principle, will be in the following ratio.

	£	equal to	£
In 1700,	4,000,000		9,400,000
From 1700 to 1710,	1,500,000	—	3,400,000
— 1710 to 1720,	500,000	—	1,090,000
— 1720 to 1730,	500,000	—	1,030,000
— 1730 to 1740,	500,000	—	970,000
— 1740 to 1750,	500,000	—	890,000
— 1750 to 1760,	1,000,000	—	1,640,000
— 1760 to 1770,	1,000,000	—	1,460,000
— 1770 to 1780,	2,500,000	—	3,290,000
— 1780 to 1790,	3,500,000	—	3,960,000
— 1790 to 1800,	14,500,000	—	14,500,000
	30,000,000		41,630,000

By this table it is evident, that if money had been at the standard of 1800 throughout the whole century, the revenue would have been, in that year, forty-one millions of pounds instead of thirty millions. If money had remained stationary at 1700, the revenue, though nominally less, would have then been equal to forty-one millions, and

if

if it had been stationary at a subsequent period, in proportion as that period was nearer to the standard of 1700, the revenue would have been more nearly equal to forty-one millions, and have suffered less diminution; but as the depression continued throughout the whole century, it has experienced the entire loss of eleven millions.

The greater part of this loss has been sustained by the public creditors. There is no doubt but that many other classes among whom the public revenue is appropriated, have suffered a partial injury, as was explained in the fourth chapter of this work; but the great and leading sufferers are the proprietors of national stock. The subsequent calculation shewing the gradual increase of the debt at the existing standard of the times, according to the proportions of Sir George Schuckburgh's table, and the value of that increase at the standard of 1800, will, in some measure, point out the extent of their loss

A. D.	Amount of the Debt at the stated Periods.	Gradual increase of the Debt.	Value of the increase at the standard of 1800.
1700	16,000,000	16,000,000	37,700,000
1710	44,000,000	28,000,000	63,700,000
1750	72,000,000	28,000,000	50,100,000
1760	88,000,000	16,000,000	26,200,000
1770	126,000,000	38,000,000	55,600,000
1780	142,000,000	16,000,000	21,000,000
1790	238,000,000	96,000,000	108,700,000
1800	451,000,000	213,000,000	213,000,000
		451,000,000	576,000,000

By this table it appears that the national creditors have, in reality, advanced five hundred and seventy-six millions to government, for which now only four hundred and fifty-one are put to their credit, and that they have sustained the loss of one hundred and twenty-five millions in the course of the century.

But it must be admitted that these calculations are extremely loose. The state of the  
revenue

revenue is taken in round numbers from Sir John Sinclair's History, but in too imperfect a manner for any other purpose than merely to shew the general effect of the depression of money. The state of the public debt is taken from an account made out by the order of the House of Commons, and is extracted from the Appendix to Mr. M'Arthur's political facts. Though the debt amounted to more than forty-four millions in 1710, I have only taken it at that sum, because it was afterwards reduced to it; but this calculation is only formed upon a statement of the funded debt of the times, and no allowance is made for the sums that were paid off after many years duration, which would have made the account much greater. But as I possessed not sufficient documents to make an exact account, I thought it better to give a mere general view of the subject from documents already published, and keep within the fact, than endeavour to prepare a more accurate statement, in which I might have committed greater errors.

I regret



I regret that it is not in my power to make any satisfactory calculations in which some reliance might be placed, in order to trace the operation of the principle in a clearer manner; but should the attention of the public be directed to this subject, I trust that some one with more ability and better means of information, will explain its effect with greater perspicuity.

But much as I regret the want of accuracy in the preceding statements, they are still sufficient for pointing out the powerful operation of the principle. The following calculation, the accuracy of which is less disputable, will convey a clearer conception of the tendency of the depression of money, to lessen the value of the revenue, and reduce the principle and interest of the national debt. By applying the arithmetical proportion of Sir George Schuckburgh's table, to the value of the pound sterling, through every ten years of the preceding century,

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the following statement will be the result of the calculation.

	s.	d.	
In 1700,	0	8 5 $\frac{1}{2}$	} Were equal to a pound sterling of 1800.
1710,	0	8 9 $\frac{1}{2}$	
1720,	0	9 1 $\frac{3}{4}$	
1730,	0	9 8	
1740,	0	10 2 $\frac{1}{2}$	
1750,	0	11 2	
1760,	0	12 2	
1770,	0	13 7 $\frac{3}{4}$	
1780,	0	15 2 $\frac{1}{2}$	
1790,	0	17 7 $\frac{3}{4}$	
1800,	1	0 0	

I shall more particularly confine my reasoning upon this calculation, to the last twenty years of the preceding century, as the depression of money during this period is more immediately interesting to the great body of proprietors now living. Since it is evident by this table, that the value of the pound sterling was nearly reduced one-fourth between 1780 and 1800, it is obvious, that any given sum in 1800 would only exchange for three-fourths of the value for which it would exchange in 1780; and that any person receiving the same fixed nominal sum in 1800, would only receive three-fourths of the

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the value which it possessed twenty years before. By this alteration in the standard of money, the public have been exonerated from the payment of one-fourth part of the revenue then existing; and the public creditor has been deprived of one-fourth of the principal and interest of the stock which was at that time placed to his credit in the national debt.

As in an increase of currency a general augmentation is effected in the incomes of individuals by an advance of prices, the public regain from government in part what they contribute; and lessen the revenue in the same proportion in which the value of money is depressed. If a person possessing forty pounds a year be taxed at eight pounds, being a fifth of his income, and he afterwards be taxed at two pounds more, making his contribution a fourth; and by an advance in the produce which he sell, he increase his income to fifty pounds a year, he again reduces his contribution to a fifth, and regains the

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the two pounds which he gave; and as ten pounds will exchange for no more after the increase than eight pounds previous to it, the revenue of government, though nominally augmented, is reduced to the same value which it possessed before the additional duty. By this operation, the depression of money held such regular pace with the increase of the revenue through the greater part of the preceding century, diminishing it in value in the same ratio in which it was augmented in magnitude, and exonerating the public from the increased burthen, in the same proportion in which the value of money was lessened. By this operation it has reduced the revenue one-fourth since 1780, and is still continuing its reduction.

By the same operation it has reduced the principal and interest of the national debt. I attempted to point out, by a loose and very inefficient calculation, the loss which the public creditor had sustained from the commencement of the funding system; but I was

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was incapable of forming a satisfactory statement, from an ignorance of the exact amount of the debt at the stated periods. The last table, however, renders such a statement less necessary, as it will enable any person to calculate the injury which he has individually suffered from the continuance of his property, during any given time, in the public funds. The same proportionate reduction is effected in any given number of pounds which is effected in a single pound, and may be ascertained in the same manner. Though I shall principally confine my observations to the particular period between 1780 and 1800, yet any creditor may estimate the loss which he has sustained from the earliest period by an application of the same principle.

As the pound sterling has been nearly reduced one-fourth, since the year 1780, and as a similar reduction has been effected in any given number of pounds, it is obvious, that the public creditors, in the receipt of  
their

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their interest, obtain now only three-fourths of the value which they then received; that the proprietor, who then had four hundred a year, receives now no more than what three hundred would have then commanded; and that one-fourth of his income has been regained by the public. The same reduction has been effected in the principal which has been effected in the interest; and in the event of his selling-out, or being paid off by government, he would receive only three-fourths of the value which it possessed in 1780. By this operation, though no reduction be made in the nominal amount of the debt, yet a similar diminution is effected in its real extent, as if an actual payment of the part depreciated had been accomplished. A diminution in the value of the nominal sum received, by a reduction of the standard of money, is similar to a diminution of the real amount, where the standard has continued without variation, as the same nominal sum, at a reduced value, will exchange  
for

for no more than a proportionably diminished sum at the same value.

If the proportions of Sir George Schuckburgh's table have a near approximation to the truth, and little doubt can be entertained of the accuracy of his researches, it is necessary for the public to consider how far they will encourage the further depreciation of this principle upon the property of their creditors. Whether, by promoting an increase of currency, they will conduce to the silent reduction of the national debt, and an exoneration from the burthen, by the further depression of money; or, whether by endeavouring to prevent its increase, they will take every means in their power to maintain their faith with their creditors, and support the equity of their contract. By the arithmetical proportions, the depression of money, since the year 1780, has considerably exceeded the depression of the twenty years before it; and, by the facility with which the paper currency of Europe is now increased, the

the depression of the next twenty is likely to be still greater, unless some measures be taken to retard its progress. By its present ratio, a quarter of the debt will be liquidated every twenty years, without any assistance from the sinking fund; and should the ratio increase, the reduction will take place with accelerated force.

There is no doubt, but that any attempt to prevent the depression of money has a tendency to diminish the resources of the country, by impeding our exoneration from our public burthen, and obstructing the renovation of our means, in the intervals of peace, against every renewal of hostilities. It may be said too, that the public are constantly gaining an essential advantage from their creditors, without effecting an injury of material extent to the collective body, as the depreciation hitherto has been too gradual to occasion any important loss in the average term of the life of man.

But,

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But, though the public are certainly relieved from the weight of taxation by this depression, it cannot be contended, that the exoneration is effected by the most honourable means. In the original contract, between government and the public creditor, it was stipulated, that he should receive the same interest till the redemption of his debt; and as that interest is continued to be paid in the same nominal sum, no actual breach of faith is committed, but its faith is virtually violated, as that sum no longer retains the same real value as at the commencement of the contract. So far, therefore, as our political conduct should be regulated by public principle, we are bound in equity to take every precautionary measure in our power to prevent the progress of the depression.

Against the other objection it is necessary to observe, that though, during the average term of a man's life, no material injury may ensue, yet the property of the public creditor

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is frequently invested in the hands of trustees for a period of long duration; and that many families sustain considerable loss by the reduction of its value. Should the depression proceed only in the same ratio for these next twenty years, in which it has advanced for these last twenty, the value of the pound sterling of 1780 will be diminished one half by 1820, three quarters by 1840, and in 1860 its value will be no greater than that of a French livre of 1780. For every pound which a creditor possessed in the funds in 1780, he will receive no more than a shilling in 1860. The same reasoning will apply to the augmentation of the debt during the late war, which will then be diminished three quarters, and to every subsequent increase.

However expeditious this mode may be of lessening our revenue and liquidating our debt, there can be little doubt respecting its injustice. It is materially for the well-being of the country, that the property of the public creditor should be guarded by every

means

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means in our power, and secured from further diminution. His particular interest is so intimately connected with the general interests of the community, that his prosperity can scarcely be separated from the common prosperity of every other class. Though the impracticability of our exoneration from the pressure of the national debt has been frequently complained of, yet I trust that the proportions of Sir George Schuckburgh's table will give a turn to the current of alarm, and that our fears will now be excited that it will be paid too soon, instead of not being paid soon enough.

I shall now make some inquiry into the best means of obviating the further depression, not only of the public revenue and the property of the public creditor, but of all other annuitants, whose peculiar cases were partially considered in the fourth chapter of this work.

All retribution appears to me impracticable;

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ble; a great point will be gained by obviating future injury. The particular object to which the attention of the public should be directed for this purpose, is to prevent the further increase of currency. If currency be not augmented, it is impossible that money can depreciate. During these last twenty years, it has been depressed beyond any former period, because the increase of paper in this country, by the circulation of the notes of country banks, and the increase of paper from similar establishments on the continent, have accelerated its reduction.

It is not only therefore necessary, as suggested in the former chapter, that the bank of England should be reinstated in the exclusive privilege which it possessed previous to the institution of these banks, of regulating the whole paper currency of the country; but that it should annually submit the amount of its notes to the inspection of parliament, in order that the public may be made acquainted with the quantity of paper

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in circulation, and adopt the regulations which are necessary to obviate the injury resulting from its increase. But nothing can be more remote from my intention than to tie the hands of the bank. Any restriction upon its issues would counteract the utility of its institution, and prevent the increase which public expedience may require upon the imposition of further duties. Our best interests are so united with it, that no apprehensions need be entertained by the company of any regulations prejudicial to its welfare, in consequence of their public declaration of the amount of its paper.

The adoption of this plan will materially obstruct the increase of paper in this country, and in some degree impede its growth among other nations, by leading to the introduction of their gold upon any attempt to increase their currency above its proportion. The scarcity of specie would excite some suspicion of the credit of their paper, and necessarily cause its contraction.

But

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But I am well aware that this regulation will not prevent all increase. Should the public acquiesce in the justice of the claim of the public creditor to the same real interest till the redemption of the debt, other means may be easily found to obviate the effects of the depression of money. The increase of currency is immediately experienced by an advance of prices. In order therefore to prevent the loss of the public creditor, an advance should be made in his interest in some degree commensurate with the increase.

Different standards have been resorted to at different times, to ascertain the variation in the value of money. In the reign of Elizabeth, corn was assumed as the best standard; but from the fluctuation of seasons, and the improvements of agriculture, it is now perhaps more inefficient than any produce that could be selected. By the proportions of Sir George Schuckburgh's table, meat is more nearly equal to the medium

S 2                      standard



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standard than any other commodity. Previous to the invention of money, cattle were the common measure of value. The authority of Homer is frequently cited in support of this fact, where he mentions, that in the exchange of armour between Glaucus and Diomed, one was valued at an hundred, and the other at nine oxen. Had this measure of value continued, the erroneous notions that have since been entertained on the subject of currency, would not perhaps have been prevalent. But as most of our later writers, from the policy of Elizabeth, have assumed the price of corn as the best standard, it has been usually admitted without investigation. The computation of tithes was not long since the subject of much private discussion: and it was proposed to take corn as the standard least liable to error. A further inquiry, however, into this subject will shew that the plan adopted by Sir George Schuckburgh, in taking the medium from the price of various articles, is preferable to the price

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price of any particular produce; and should the ascertainment of the comparative value of money at different periods be necessary for any political measure, this mode will be found least objectionable.

Sir George Schuckburgh's table is published in the philosophical transactions for the year 1758, part 1st, page 176. The proportions of which, from the Conquest to the present times, are in the following ratio.

A. D.

In 1050	—	26
1100	—	34
1150	—	43
1200	—	51
1250	—	60
1300	—	68
1350	—	77
1400	—	83
1450	—	86
1500	—	94
1550	—	100
1600	—	144
1650	—	188

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A. D.

In 1675	—	210
1700	—	238
1720	—	257
1740	—	287
1750	—	314
1760	—	342
1770	—	384
1780	—	427
1790	—	496
1795	—	531
1800	—	562

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