Letters

ADDRESSED TO

THE RIGHT HONOURABLE

THE EARL OF LIVERPOOL,

AND

THE RIGHT HON.

NICHOLAS VANSITTART.

London:

PRINTED BY A. J. VALPY,
TOOKE'S COURT, CURSITOR STREET.

1820.

LETTERS, &c.

THE RIGHT HON.

THE EARL OF LIVERPOOL.

24th May, 1819.

MY LORD,

I FEEL perfectly conscious that, in venturing to oppose my opinions to the unanimous Resolutions of Committees of the two Houses of Parliament, on the expediency of the Bank resuming Cash Payments, I expose myself to the charge of great presumption, and nothing but a very high sense of the importance of the subject, and an anxious desire for the honour and welfare of my country, could have induced me to intrude on your Lordship's valuable time, even under a borrowed signature, I shall therefore be as brief in my obser-

vations as possible. My data is, that the average value of Gold in Europe is more than £.3. 17*s*. 10½*d*. per oz., and if I am wrong in that conclusion, I am willing to admit that my arguments must fall to the ground, and that the only material inconvenience to be apprehended from the return to Cash Payments at the time recommended by the Committee, or even earlier (should we be blessed with good crops, and I am happy to say appearances were never more promising in the country in which I reside than at this time), is a defalcation in the revenue. In the present very depressed state of trade, it is very improbable that we can, by any means whatever, encrease our exports of manufactured goods and colonial produce, or even keep them up to their usual standard; and if the balance of trade is against us (which is generally admitted, though I have my doubts on the subject), the effect of a return to Cash or Bullion Payments would be to restrict our imports from the Continent, and of course injure the revenue. I acknowledge that the state of the Exchanges, and the

price of Gold Bullion in 1816 and 1817, and also the evidence of some of the gentlemen who were examined by the Committees, seem to militate against my data; but that, I think, is sufficiently accounted for by the abundant harvest at home, and the immense exports of colonial produce, at very high prices, in those years. But even admitting that £3. 17*s*. 10½*d*. per oz. is the present value of Gold, will it be contended that an additional demand on the market to the amount of thirty or forty, or even fifteen or twenty millions of money will not enhance the price? I am assured by a friend who has a commercial establishment in Italy, that the Coin in Tuscany and every part of that great Peninsula, bears a very high seignorage, in some States even as high as 20 per cent. and I cannot bring myself to believe that any country in Europe can long retain Coin of the denominative and intrinsic value of our Guinea. I would therefore propose, in lieu of Mr. Ricardo's ~~absurd~~ new way of keeping Bullion in the Kingdom, (that is obliging the Bank to offer a premium to send it out, for such it

will be when the market price is above £.4. 1*s.* 0*d.* and £.3. 19*s.* 6*d.* per oz.; as to its becoming the Circulating Medium, in my humble opinion, it is quite out of the question,) that the Legislature should authorize the Government to redeem from the Bank Exchequer Bills to the amount of £.25,000,000 with Notes of the value of £.5 and upwards, not convertible into cash; and that they, the Bank, should be required to pay all their own notes, in a given time, in money. This would prevent the necessity of negotiating a Loan on very disadvantageous terms, and, in my humble opinion, be the means of ascertaining without much, if any inconvenience to Agriculture, Trade, and Commerce, the practicability of returning to Cash Payments, with our present Mint regulations. It will be said that the consent of two parties is necessary to this arrangement, and how would the concurrence of the Bank Directors be obtained. I feel perfectly confident that the most cordial co-operation, and the greatest sacrifices may be relied on from them, even to the extent of 5

per cent. on the whole amount of their issues, should the interests of the country require it; indeed, I have no hesitation in saying, they ought to be required to make them (out of their enormous accumulations since the restriction of Cash Payments), if it is at all clear that they would be effectual; but according to my view of the subject, it is impossible to foresee what will be the effect of resorting to either Cash or Bullion Payments with our present Mint regulations. As a security to the Bank and the Public, I propose that the whole of the Stock redeemed since , and all future purchases of the National Commissioners, shall be pledged for the payment of those Notes, and that out of the interest which will be saved on the Exchequer Bills redeemed, the Bank shall be allowed one or two hundred thousand pounds per annum for the responsibility and trouble of carrying this measure into execution. In short, the operation of Mr. Ricardo's plan would be to compel Government to redeem Exchequer Bills to the amount of 10 or £.15,000,000 with Bank Notes, with which

the Directors would, of course, purchase Bullion, and this they must lock up, unless there is a demand for it for exportation or other uses. Thus *both* Government and the Bank would lose the interest on £.15,000,000, without the paper circulation being diminished one farthing in amount.

By my plan the Government would save the Interest on £.25,000,000, and avoid the necessity of making a Loan on very disadvantageous terms, the Public might be accommodated with Discounts as heretofore, the Bank would be obliged to find Money for all the circulating medium required above the 25,000,000, and the utmost exertions of the Directors to return to Cash Payments would thereby be insured; for it is clear that until they could issue their own Notes in lieu of those of the Government, it is quite impossible they could make anything as mere Bankers.

I have the honour to be,
With great respect,
Your Lordship's obedient
And very humble servant,
A—— C——.

The remarks transmitted herewith were written on a hasty perusal of the Commons' Report, and should your Lordship take the trouble of reading them, (which I do not much expect,) I think it right to declare, that I have neither read nor heard anything to induce me to retract the opinions contained therein; nor have I ever been able to assent to Mr. Horner's famous Resolutions on the Bullion question, so highly eulogized by men of all parties; therefore, no doubt, the defect is in my own intellect.

N. B. Having omitted to keep a copy of the remarks mentioned above, they are not printed herewith.

THE RIGHT HON.

NICHOLAS VANSITTART.

27th December, 1819.

SIR,

I HAVE observed with deep regret the determination of Government to persevere in the ruinous measure adopted last Session of Parliament for enforcing the return to Cash Payments, at the present Mint price of Gold, on or before the 1st of May, 1821. After the arguments *you* and other members of the Administration have used in opposition to that measure on former occasions, I cannot for a moment believe that *you* have really been induced to alter your view of the subject by the evidence adduced before the Committees of the two Houses of Parliament, because I feel confident every impartial person must allow that the weight of evidence is decidedly against

that measure. In general it is confused, contradictory, and absurd, but I must exempt from that description the evidence of a Mr. Smith in particular (who that gentleman is I have not been able to learn, although I have asked several members of Parliament the question), which is luminous in the extreme, and displays a most comprehensive and profound acquaintance with the subject: to the evidence of Mr. Baring I think I am warranted in applying the term absurd, for nothing can differ more widely in their nature than the Paper of Arbitrary Governments and the Notes of the Bank of England, issued merely as circulating medium when called for, and yet that Gentleman has been pleased to draw inferences from a comparison of the two descriptions of Paper. Mr. Baring, having been a Bank Director himself, ought to have known that it is not in the power of that Company to keep more of their notes in circulation than the wants of the country require. Any attempt to force more into circulation, would be as fruitless as the attempt to put a quart of wine into a pint decanter: a

spunge will only absorb a certain quantity of water, and our revenue, agriculture, manufactures, trade, and commerce, will only absorb a given quantity of Bank Paper; therefore to talk of its being depreciated by over issues, is, in my humble opinion, absurd. I will admit, for the sake of argument, that the Directors have used their power indiscreetly, by discounting the bills of known speculators, and still I contend they would not thereby increase the circulating medium of the country beyond its natural limit. The effect would only be to drive out of circulation an equal amount of Paper issued for legitimate purposes. In this enlightened age no man hoards even coin, and therefore it would be preposterous to suppose that he would hoard paper, which has no intrinsic value, when he can invest the amount in Government or other securities which afford income. It is much easier to demonstrate the impossibility of a Country Banker's keeping more of his notes in circulation than the current transactions of a given district require; but as I know there are persons

who readily admit the one position, and yet doubt, and even deny, the other, I have thought it best to confine my observations to Bank of England notes. Having observed the ruinous effects of the *mere anticipation* of the return to Cash Payments, I, in May last, took the liberty of expressing, in a letter to Lord Liverpool, my apprehensions, with respect to the effect of the measure then before Parliament *(conceiving it to be a mere sacrifice to popular clamour and prejudice)*, and truly sorry am I to say, my fears have been completely justified by the result. In my humble opinion it has been the means of narrowing our Circuland to the extent of Fifteen or Twenty Millions, and annihilating Property to an enormous amount. Every man knows that trade and commerce are limited by capital, and I declare, on my conscience, I cannot conceive any measure better calculated to produce the distress we are all so much deploring than this, except the immediate resumption of Cash Payments, and I confess I am so dull at not to be able to comprehend in what way Bullion Pay-

ments *can* POSSIBLY operate beneficially. If the Bank Directors had a gold mine in Threadneedle Street, I could imagine some motive for the measure, although I should not then think it a politic one. We are told from the highest authority, that "although the Revenue has undergone some fluctuations since the close of the last Session of Parliament, I have the satisfaction to inform you it appears to be again in a course of progressive improvement," which I presume is intended to encourage the hope and expectation that there will be no material defalcation. Even admitting that to prove the fact, it would only convince me that it is hardly possible to destroy the energies and resources of the country. In my humble opinion it might as well be contended that a man of £5000. a year can afford to spend as much as one of £10,000, as that diminishing the circuland and capital of the country will not have an unfavourable effect on the revenue. I am old enough to recollect the rapid growth of the revenue, and the advance of the 3 per cent. Consols. from 55 to 97 or 98

per cent. after the American War, and I feel perfectly confident that nothing but the dread of this ruinous measure prevented the complete success of your Finance scheme of 1818; but for that, I am fully persuaded, the 3½ per cents. would now have been above par, say 100, and the great capitalists reduced to the utmost difficulty to make 4 or even 3½ per cent. of their money, as was the case in 1817. This would have given activity to agriculture, manufactures, trade, and commerce, and, of course, additional employment for the people; which I think I am warranted, by the evidence submitted to Parliament, in believing would have prevented one-half of the sedition now in the country. I am aware that my opinions may be thought extravagant, notwithstanding which, I feel perfectly convinced of their soundness; and that, had the peace of 1783 continued a few years longer, even the bogs of Ireland would have soon been brought under some kind of cultivation, at least such was my belief at the time. By additional restrictions on the importation of grain it is

true the quartern loaf might possibly be raised to 1*s.* or 1*s.* 3*d.* and additional labour and cultivation thereby produced; but could the great body of the people afford to eat it at those prices. It is only by means of surplus capital, and a consequent reduction of the rate of interest, that land of inferior quality can be brought under cultivation, and the country enabled to subsist herself, without striking at the root of her prosperity. The stagnation of trade has been mainly ascribed to the distresses of the continents of Europe and America, but I believe, nay I know, that it has been more owing to the want of credit and confidence at home. This country is the *main spring* of the commerce of *the universe,* injure that, and you derange the whole machinery. I admit that the transition from war to peace had an unfavourable effect for a time, and it must also be allowed that Foreign Loans, and other circumstances, have drawn away some of our capital; but they are no longer in operation, and their effect, when put in comparison with the measure I am deprecating, has been some-

thing like a drop of water in the ocean. With respect to the United States of America, other causes have operated to diminish our trade, the chief of which is, the attempt to resort to Cash Payments; a measure which I think never could have been seriously contemplated by any other than that conceited race of people, circumstanced as that Country is, in opposition to the luminous exposition of the subject to be found in the works of their sage, Dr. Franklin. It has always been matter of astonishment to me, that politicians in general should attach so much importance to Coin and Bullion, when it is allowed that we never possessed, at any one time, more than about thirty millions; which is about 40 *per cent.* on the *estimated* war income of the Country, and only a shilling a day (the usual board-wages of agricultural labourers), for six or seven weeks, for the whole population of Great Britain. If this sum of thirty millions produced income, as far as that went I would admit its importance, but it is positively dead capital, and can only be of

consequence in reference to Continental operations. Now, admitting that this measure will give us that sum, I am of opinion we could not spare more than five or six millions for that purpose, with our present Mint Regulations, without serious injury to our commerce, and incurring the risque of being again obliged to suspend Cash Payments. For my own part, I have always considered Coin merely as the measure of value, the same as the standard bushel and pound avoirdupois are the measures of quantity, and that it matters not, as far as domestic economy is concerned, whether the Sovereign passes for 20*s.* 21*s.* or 22*s.* provided the point is clearly understood and established by Law; but with respect to foreign commerce the case is very different. The ounce of gold and silver are, or ought to be, the standards of value; and it appears to me to be a most questionable policy to have a Coin of greater intrinsic value than that of other Countries. Is it not offering a premium to foreigners to take our gold instead of our manufactures and colo-

nial produce, and a temptation to the people of this Country to invest their capital in the foreign funds, when gold is high abroad? At all events, it is clear we cannot retain our Coin when Gold is materially above £3. 17*s.* 10½*d.* an ounce, if it is wanted for the Currency of other Countries, because they can afford to give more for it than we can. The Louis D'Or is 1*s.* 9*d.* *per* ounce inferior in quality, and four grains less in weight, when compared with our Sovereign at 20*s.* and the Paris Bankers oblige persons requiring gold to pay one *per cent.* for it, making together a seignorage of about seven *per cent.* It may be thought by some persons, and I acknowledge I was once of the same opinion, that when gold was at or under the Mint price, which is the case at present, the Bank might resume Cash Payments without risque; but the unsuccessful attempt of last year, and more mature reflection, has convinced me it cannot be done until either the Country is fully charged with a Metallic Currency, or our Mint Regulations altered. I

This Alone has caused all the distress & embarrassment which the Bank of England & Private Bankers have experienced within the last Four or five Months. 6 Feby 18

will not venture to hazard an opinion as to what amount would be required for that purpose, but I am quite confident that Bullion could not be obtained at any thing like the price of £3. 17*s*. 10½*d*. *per* ounce, even if it did not exceed the sum we had in circulation when our revenue, trade and commerce were small, in comparison with their present extent. It has been confidently asserted, "that the "Coin went out of the Country because the "Bank Directors issued their Notes at the "same time, and that they could not circulate "together;" but the fact was not so. The Coin was exported because the balance of trade turned suddenly against us, in consequence of large importations of corn, &c. and it was more profitable to remit Bullion than Bills. Had that not been the case, either the Coin or Notes (if more were in circulation than was absolutely required by the Country) would have returned on the Bank with as much certainty and regularity as the flood succeeds the ebb tide. As the Bank Paper has always been

issued to represent gold at £3. 17*s*. 10½*d*. *per* ounce, I think it ought, in fairness to the Public, to be redeemed at that rate, when it is recollected what immense wealth has been amassed by the Bank in consequence of the restriction of Cash Payments. I am aware the Directors can avoid this sacrifice by making a bonfire of their Notes, and ceasing to issue fresh ones; but they would thereby relinquish their profits as Bankers, and derange the whole affairs of the Nation; which it cannot possibly be either their interest or inclination to do (although there are certainly several Gentlemen in the Direction who call themselves Whigs, and would go great lengths to upset the Administration). I would therefore propose, that the Sovereign should pass for 21*s*. or any other value that might be deemed sufficient to enable the Bank to resume Cash Payments in a given time, and that they should pay to Government the difference between the old and new standard on the amount of their Notes in circulation at the time the measure is adopted (suppose twelve or thirteen hundred thousand pounds);

the Bank, in that case, to supply the Bullion for the Coinage, which I think preferable to Government's doing it, as it would prevent competition in the Market, and the Directors must be the best judges of the quantity likely to be required.

It is deplorable to observe the erroneous ideas entertained by several leading members of both Houses of Parliament with respect to the commerce of the country, particularly the noble Chancellor of Oxford, whose opinions on most subjects have deservedly much weight. What used to be deemed commercial enterprize, it is now the fashion to call over trading, and to impute it to over issues of Bank Paper; than which nothing can be more unfounded, as is clearly shown in the letter of a Mr. Edward Cooke, published in the *Pamphleteer* of April last. Ever since the time of Fordyce (and no doubt the same was the case before) we have had periodical convulsions in the commercial world, but it was not till lately that the insolvency of a few individuals has been considered an object of great *national importance*

I believe it is admitted by the ablest writers on political economy, that a nation may sometimes gain by its exports although the individuals concerned lose; and I have no doubt the country will ultimately be greatly benefited by the late excessive shipments of our manufactures to South America and the East Indies; a circumstance which usually takes place on the opening of a new market. I am firmly persuaded more property has been annihilated within the last eighteen months, than in any former period of four times the duration, and I am not aware that any extensive bankruptcies have taken place in consequence, a clear proof that our commerce is bottomed on capital, and not on paper as has been industriously represented.

I trust and hope the freedom and pertinacity with which I have urged my opinions may not give offence; they are the result of between thirty and forty years experience, and I cannot help feeling assured in my own mind, that no unprejudiced person can read with attention the laboured but *very able work* of a

Mr. Gray, " On the Happiness of States," and " All Classes productive, by Dr. Purvis," published by Longman and Co. without being *at least* convinced that they have not been adopted hastily, nor without due consideration. In conclusion, I think it right to add, I am no otherwise personally interested in the fate of this question, than as it must affect every man possessing a considerable stake in the agriculture and commerce of the country, and that my sole motive in attempting to occupy your attention is an anxious desire to alleviate the sufferings of the people.

I have the honor to be,

Sir,

Your obedient, and

Very humble Servant,

and an impartial Friend of

AGRICULTURE AND COMMERCE.

Since writing the foregoing, I have observed that a Petition from the Merchants and Traders of London has been presented to the House of

Commons, and it appears that one member at least takes the same view of the subject that I do. At my leisure I shall take the liberty of transmitting a copy of this letter to each of the other Members of the Cabinet.

To the Right Hon.

NICHOLAS VANSITTART.

8th January, 1820.

Sir,

In my Letter to you of the 27th December, I omitted to remark on a point which has been much insisted on by the advocates for the return to Bullion, or Cash Payments, viz. That the high price of Bullion is owing to the over issues; or, as some persons call it, the depreciation of Bank Notes. Mr. Edward Cooke, in his admirable Letters already referred to, has demonstrated no over issues have ever taken place; and I think I have clearly shewn that the thing is impracticable. Are not Bank Notes a substitute for Coin? And who ever before heard of the adoption of a substitute enhancing the price of

an article. In my humble opinion, it might with as much truth be said that using gilded and plated, instead of solid gold and silver articles, enhances the price of the precious metals; and I would ask those persons from whence and by what means are we enabled to obtain them! Is it not from South America and the Continent of Europe, in exchange for our manufactures and colonial produce? And has not Paper Currency the effect of reducing the rate of interest, and thereby promoting an extension of our manufactures, trade and commerce. If it should be contended, as I expect it will, that the contraction of the Bank issues has caused the fall which has lately taken place in the price of Bullion, I would ask what caused its fall to the Mint price in 1817? It certainly was not contraction of the Bank issues; for the amount of Notes in circulation that year was £29,000,000, and only 16 or £17,000,000 in 1808 and 1809, when Bullion was £5. 5*s.* an ounce. For upwards of thirty years of my life, consequently long

before Cash Payments were restricted, I have been in the habit of observing and considering the effects of Paper Currency (particularly Country Bankers' Notes) on the trade and commerce of the Country; and my first conclusion was, that it enhanced the price of the necessaries of life and other articles, precisely in the degree that it promoted the prosperity of the Country, and I have seen no reason to retract that opinion, except in as far as it, by increasing our productive powers, has a counteracting effect on the advance of prices. Within the last seven or eight years, wheat has fluctuated from 8*s.* to 21*s.* or 22*s.* *per* bushel, and muscovado sugars from 65*s.* to 135*s.* *per* cwt.; and I think it might as well be contended that the low as that the high prices were occasioned by the excess of Paper Currency. I do not mean to say that we had not more Notes in circulation when prices were high than when they were low, for that would be denying my own data; which is, that when articles are high they require more Currency to

represent them than when low, and it is fabricated as a matter of course; consequently, the high prices produce the Paper, and not Paper the high prices, as has been asserted by many persons. It has also been said that the Bank, by diminishing their issues, might raise the value of their Notes to the value of Bullion, whatever it might be; and the practice of the Directors, prior to the restriction of Cash Payments, has been adduced in proof of the fact. Although a Noble Lord (whose famous Philippic on this subject very forcibly reminded me of the well-known story of the fly on the coach-wheel) was pleased to say, he never in his life met with a set of gentlemen less competent to their situation than the Bank Directors, I will venture to assert, that that respectable Body has always contained too much *common sense* ever to have believed for a moment that they had the power of raising the value of their Notes, or even the Guinea or Sovereign, to the value of Bullion, when above the Mint Indenture price, *by any legitimate means what-*

ever. They (the Directors) contracted their issues, to lessen their liability to be called on for Cash; the effect of which was, to oblige persons wanting Coin for the *illegal* purpose of *melting and exporting it* to draw it in small sums from the Circuland of the Country in the best way they could. In short, I am decidedly of opinion that a Paper is preferable to a Metallic Currency, because it has the power of adapting itself to the wants of the Country, whatever they may be, and is wholly free from foreign influence, which never can be the case with Coin; but, as there seems to be *a most unaccountable prejudice* in favour of the latter, and it accords with the usages of other Countries, I have taken the liberty of suggesting the necessity of an alteration in our Mint Regulations, before resorting finally to Cash Payments. In the foregoing sentence I have used the words unaccountable prejudice, and I might have added *ingratitude* also, for I feel perfectly satisfied in my own mind that no human means have contributed so much to

bring the *long and arduous Contest* in which we have lately been engaged to a happy termination, as Paper Credit.

I have the honour to be,

Sir,

Your obedient,

And very humble Servant,

A—— C——.

0283