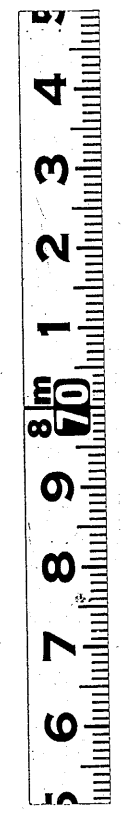


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THE  
 BANK OF ENGLAND DEFENDED,  
 OR  
 THE PRINCIPAL CAUSE  
 OF  
**THE HIGH PRICES**  
 DEMONSTRATED,  
 BY AN INQUIRY INTO THE ORIGIN OF THE  
 PRESENT SYSTEM OF COINAGE,  
 ALSO,  
 BY AN EXAMINATION OF CERTAIN OPINIONS IN REGARD TO  
 A METALLIC CURRENCY,  
 THE FOREIGN EXCHANGES,  
 AND  
 THE EFFECTS OF OUR PAPER CURRENCY;  
 WITH  
 SUGGESTIONS FOR FORMING  
 A MORE ACCURATE MONETARY SYSTEM.

“A measure of value can signify nothing but a medium of comparison  
 for contemporary commodities; and we have as good a measure in this  
 sense, not only as it is possible to have, but as it is possible to conceive.”  
*Critical Dissertation on the Nature, Measures, and Causes of Value.*

LONDON:  
 PRINTED FOR J. HATCHARD AND SON,  
 PICCADILLY.  
 1826.

## P R E F A C E.

THE High Prices of most commodities, during periods of abundance, have induced the Author to investigate subjects repeatedly explained by many able writers within the two last centuries; and it appears to him, that some important points have not been seen in their true light; and that the recent difficulties are, to a certain extent, the effects of the present monetary System, which owes its establishment to imperfect views, thereby causing the adoption of measures not consonant with principles universally acknowledged to be true.

As the establishment of sound principles, upon matters of general interest, will secure to the Public the greatest benefits, it is most important that the nature of the existing difficulties should be precisely understood; and a public discussion will be the best means of forming correct opinions. The principles of Coinage have claims to universal attention; for none can be so high, or so low, as not to be in some degree affected by errors in the practice of it.

From the manner in which the Author has viewed it, and from his observation that many men of eminent learning and experience have overlooked certain points, he has presumed to

think, that a discussion of the First Principles of a monetary System may still be serviceable. At any rate, it is not possible to maintain arguments without pointing out the dependency of their positions on those principles which are generally received as true.

The Author has endeavoured to express his opinions in as few words as he could with perspicuity. The names of most of the writers whose works he has referred to are stated; and he has used, in many instances, not only the arguments, but the words of others, whenever they appeared to him more expressive than his own. In pointing out what appear to him to be errors in the writings of others, he has been actuated solely by the desire of eliciting the truth; and he has earnestly studied to be correct and intelligible. Novelty is not his aim; he has only endeavoured to place the arguments of others in a clearer and stronger light. The Public must judge whether the conclusions he has drawn are just.

These opinions respecting the Coinage were intended to have been published with others relating to the several Causes of the present High Prices; but the Author could not give sufficient time and attention to complete the whole so soon as he wished. The revision of our Coinage, if his notions are correct, is essential to give efficacy to the regulations which might be necessary in other matters. The Poor Rates—the Public Debts—Taxation—and some restrictions on Trade and

Commerce, evidently affect Prices; and each subject requires separate and exclusive consideration.

By the publication of his conceptions, the Author has given sufficient proof of his own confidence in their accuracy, without which, indeed, it would be absurd to obtrude them on public notice. He has not advanced any proposition, without feeling the firmest conviction of the truth of his conclusions; if he should have fallen into errors they are the failures of honest intentions with wrong judgment; for he has most scrupulously tried to avoid a mode of reasoning which appears more like a display of ingenious, though fallacious syllogisms, than sound argument.

The numerous works relating to these subjects contain a great variety of opinions, and of the most opposite reasonings. But no one has offered any satisfactory explanation, so far as the Author of these pages can ascertain, of the ill effects which might be produced by our present mode of Coinage. A System founded on opinions repugnant to principles long since established as fundamental truths, will inevitably be injurious. The extent of the inconveniences, difficulties, and mischief arising out of it, cannot, perhaps, be foreseen; but there are some consequences which may be predicted with certainty, although the manner in which they will be produced may not be perceived.

An Excess of Paper Currency has been for some years an argument so frequently urged as the cause of High Prices and other mischiefs, and

the search of our political writers has been so exclusively directed to the discovery of its operations in producing various effects, under the impression that there cannot be any other cause for the depreciation of our Currency, that the Author is at present content to expose his Opinions only to any literary hostility; but he declares, that in publishing them he is influenced solely by the hope of their being conducive to the public good.

The Author has not presumed to think that his own suggestions are the best which can be offered; but what he has proposed may perhaps be the means of assisting others better qualified to advise some remedy. If the public should concur in his opinions, their sanction will justify Government in advising Measures, which, though absolutely necessary, must be attended with expense and temporary inconvenience; yet trivial when compared with the advantages to be derived from a steadfast course in true Principles, by which this Kingdom may, through the bounty of Providence, continue to increase in Wealth and Power.

In the year 1819, during the discussion in Parliament on the state of the Bank of England, the Author pointed out the effect which he conceived the alteration in the Silver Coin would produce on the Foreign Exchanges; in two Letters published in a Public Journal. Severe Lessons of Experience now aid the Arguments of

VERAX.

14th February, 1826.

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## FIRST PART.

### AN INQUIRY INTO THE ORIGIN OF THE PRESENT SYSTEM OF COINAGE.

THE Principle on which the Silver Coinage has been issued is thus explained by the late Master of the Mint.\* "The limitation of the legal tender of the Silver Coin, and the lowering the value of it by the deduction of the seignorage of four shillings in the pound troy, place it precisely on the same footing in our circulation, in point of principle, with our Copper Coins. They are a legal tender, as far as twelve-pence in any one payment, and they are at present about 72 per cent. above their intrinsic value; which seignorage, however, produces no mischief, as the coinage of Copper, like that of Silver, is entirely in the hands of Government. The Silver Coins are legal

The System is said to have been recommended by the late Lord Liverpool and Dr. Adam Smith.

\* See Reports by the Lords Committees respecting the Bank of England resuming Cash Payments, communicated to the House of Commons, and ordered to be printed, 12th of May, 1819. Appendix D. 10. p. 378.

tender to 40s., and the seignorage taken from them is about 6 per cent. Both coins serve for change, and change only, and can never be brought into competition with, or used for the purchase of, the Gold Coins."

This is also stated to have been the view taken of the subject by the late Lord Liverpool and Dr. Adam Smith; and that both recommended the system of Silver Coinage as established by the Act of Parliament passed in the 56th year of the last reign.\*

Examination  
of the opinions  
of the late Lord  
Liverpool on  
the subject.

On examination of the late Lord Liverpool's Treatise on Coins, it does not appear that his Lordship has, in that work, recommended a diminution in the Value of the Silver Coin, by which it has been debased more than 6 per cent. On the contrary, his Lordship strongly deprecates any such measure; and has merely advised† that the charge of workmanship should be taken out of the Coins; observing that they will pass in payment at their nominal rate or value, provided that their intrinsic value in metal and workmanship is equal to such nominal rate or value; and ‡ that the Silver Coin ought to be so made, that they may *truly represent*, but not rival, that Coin which is to be the Standard Coin.

\* Lords Committees' Report, p. 379.

† A Treatise on the Coins of the Realm, in a Letter to the King, by Charles Earl of Liverpool. Oxford Edition, 1805, 4to. p. 156.

‡ Id. p. 158.

Another most material point was also recommended by his Lordship,\* that the Value of the Coin should be estimated, not according to the price of Silver at any given time, but according to the average price which such metal has borne for a certain number of years past, or which it is likely to bear in future, in the market. For his Lordship adds, that as the Silver Coins are to represent those of Gold in small payments, they should be made to represent them, not in any one time, but for a continued space of time, as truly and as correctly as the fluctuating value of the two precious metals will permit.

The proportion, however, which Standard Silver now bears to Standard Gold, by the Mint regulations, is about  $14\frac{1}{4}$  to 1; and is, therefore, less than the late and present market proportions, and much less than they will, in all probability, bear in future, particularly if the introduction of steam engines at the American mines should much increase the supply of Silver.

An opinion has been expressed by Dr. Adam Smith,† that in the proportion between the different metals in the English Coin, as Copper is rated very much above its real value, so Silver is rated somewhat below it. He states, that in the French and Dutch Coin, one ounce of fine Gold exchanged for about fourteen ounces of fine

Opinion of Dr.  
Adam Smith  
on the subject  
stated.

\* Lord Liverpool's Treatise, p. 157 and 158.

† Wealth of Nations, 11th Edition—London, 1805, 8vo. vol. i. p. 67.



Silver, and in our Coin it exchanged for about fifteen ounces; and he thought † that some alteration in the proportion was the only method of preventing the Silver Coin, when at its Standard Weight, from being melted down; and that the inconveniency perhaps would be less, if Silver were rated in the Coin as much above its proper proportion to Gold, as it was at that time rated below it.

But Dr. Smith describes the state of things as they were about the year 1775, † or some earlier period, so that upwards of forty years had elapsed since the publication of his opinion; and in fact the Mint proportion in France has been since fixed at  $15\frac{1}{2}$  to 1. His opinion is, however, directly opposed to the present system, which has widely departed from the proportions in the Foreign Coins; whereas his recommendation was to effect a nearer approach to what he understood to be their proportions at the time he describes.

‡ It was also observed by one of our most intelligent statesmen, a few years prior to the present system of Coinage, that the relative value of Gold to Silver may have been increased, as the quantity of Silver from America had been unusu-

\* Wealth of Nations, p. 68.

† Id. Advertisement to the Third Edition.

‡ The Question concerning the Depreciation of our Currency stated and examined. By W. Huskisson, Esq. M. P. New Edition, 8vo. London, 1819, p. 43.

ally large, whilst the demand from the East Indies and China had altogether ceased; and there appeared to him every presumption, that the value of Silver continued progressively, though slowly, to decrease in Europe. \* The difference between our Mint proportion and the French Mint proportion, is now estimated at  $9\frac{1}{2}$  per cent.; and since the proportions of  $15\frac{1}{2}$  to 1 have been established in France, the difference between the Market price and the Mint price has seldom, in the Paris market, exceeded one half per cent.

All the writers on this subject have deprecated the ruinous measure of debasing or diminishing the value of Coins. The late Lord Liverpool declared † that he should feel the deepest regret if there was the least probability that any measure proposed by him could in the smallest degree occasion the price of commodities to rise; and his Lordship again repeats the observation, ‡ that although the new Silver Coins would by his plan contain a small proportion of Silver less than what was required by the (then) Mint Indenture, yet the difference in weight would be very inconsiderable, probably not more than is occasioned by wearing in a very small space of time; *their intrinsic value, consisting of metal and workmanship, would be equal to their nominal*

Late Lord Liverpool appears to have objected to any debasement of the Coins.

\* Lords Committees' Report, p. 246.

† Lord Liverpool's Treatise, p. 169.

‡ Id. p. 172.

value, estimating the value of the Silver they should contain at a fair average.

These observations show that his Lordship cannot have intended that a Seignorage of above 6 per cent. should be taken; and the ground of his recommendation, that the charge of workmanship should be taken out of the Coin, also proves that he had no such intention; for\* he conceived that they would thereby be retained within the kingdom, for the purpose of internal traffic, as no foreign merchant would receive his balance in Coins of this description, *if there were not a want of a sufficient quantity of Gold Coins.*† That it is impossible the Sovereign should follow with sufficient accuracy the various fluctuations which in a short time happen in the relative prices of the metals at the market, and thereby regulate the nominal value at which the different Coins should at all times be current; and therefore that Silver should be estimated according to a fair average of what was likely to be its value *in future at the market, with due attention to every circumstance which was likely to influence the price of it, and to the rate at which this metal was estimated in the mints of foreign countries.*

Effects of debasing Silver Coins, as described by the late Lord Liverpool.

When some of our Sovereigns were in great want of revenue, it was usual formerly to derive great profits from the right of Seignorage, by a general debasement of the Silver Coins. The

\* Lord Liverpool's Treatise, p. 157.

† Id. p. 158.

late Lord Liverpool observes,\* that these debasements were certainly high acts of injustice; they injured all those who derived their income from any subsisting grant or lease; they diminished the property of all creditors; they exposed the poor man who could not accurately estimate the diminished value of the new coins, to be imposed on in his purchases by those who understood the business better than himself; they introduced confusion into the markets, and caused a sudden check and obstruction in traffic and commerce of every description; and they frequently produced discontent, and sometimes a tendency to insurrection: and though the Sovereign might obtain some temporary profit from those debasements, the natural effect was to diminish all the ancient revenues of the Crown; and it became on that account necessary to augment former taxes, or to impose new ones, to make the royal revenue equal to what it was before. Dr. Adam Smith also observed,† that such operations sometimes produced a greater or more universal revolution in the fortunes of private persons, than could have been occasioned by a very great public calamity.

These principles of mistaken policy are thus described by the noble Author.‡ Those kings and their ministers entertained an idea that the Coins,

Idea formerly entertained by Sovereigns and their Ministers who debased the Coins.

\* Lord Liverpool's Treatise, p. 106.

† Wealth of Nations, p. 43. vol. i.

‡ Lord Liverpool's Treatise, p. 107 and 108.

though debased, and containing less pure metal than before, would continue to pass according to their respective denominations for the same nominal value; and that they should not only augment their own revenues, but that the value of the income of their subjects would not be thereby impaired. They idly supposed that the new Coins, after such debasement, would be taken in payment without any attention to the quantity of pure metal that was in them; and that the prices of commodities would not be augmented, in consequence of any debasements in the Coins with which they were purchased. The folly of such an idea, in the extent to which it was carried, has been so fully exposed, not only by those who have written on the subject, but by the experience which every attempt of this kind has afforded, that his Lordship thought any discussion on this point was unnecessary, and that he need only refer to facts stated in his history of the alterations and debasements made in the Coins of this Realm, and to the consequences resulting from them.

Idea formerly entertained, that lessening the intrinsic Value will retain the Coins in the kingdom.

Another motive for lessening the Value, was an idea that they should thereby prevent the national Coins from being exported, and that they should better be able to retain them within the kingdom, by diminishing the intrinsic value.\* His Lordship remarks, that this idea has been wholly exploded since the principles of commerce

\* Lord Liverpool's Treatise, p. 109.

and of foreign exchanges have been well understood. Mr. Locke and many other writers have clearly demonstrated, that the Coins of every country can only be retained within it, when the general balance of commerce or payments is not unfavourable; and that they will necessarily be exported, when the value of the whole of the merchandize imported exceeds the value of the whole merchandize exported, in order to pay the deficiency.

It will however happen, that when Coins made of two different metals are current at the same time in a country, and the value of the metal of which one of them is made is underrated at the Mint, compared with the price at which it is sold at the Market, the Coins of the metal so underrated at the Mint will be exported; and, in return, a quantity of that metal which is overrated at the Mint will be imported, in order to be converted into Coins.\* But this, his Lordship remarks, is a mere traffic in Coins; and it is not probable, though it produces a loss to the public, and is in that respect highly detrimental, *that it will occasion much diminution in the mass or quantity of Coins circulating in any country*, as long as the balance of commerce, or of payments to foreign countries, is not unfavourable. That this traffic will in general only diminish the quantity of Coins made of one

\* Lord Liverpool's Treatise, p. 110.

metal, and proportionally increase that of the other.

The late Lord Liverpool's opinion that Gold should be the Standard of Value.

These observations of his Lordship appear wholly adverse to the present system of Coinage: the ground, therefore, on which it has been adopted, requires particular attention and strict examination, in order that it may be clearly seen whether the consequences which formerly resulted from debasing the Coins have, or not, in this last instance been avoided. The late Lord Liverpool recommended, with the view of preventing the traffic in Coins,\* that the Gold Coin should be the only Standard of Value; and that where the function of the Gold Coin as a measure of property ceases, then that of the Silver Coins should begin; and that where the function of the Silver Coin in this respect ceases, then that of Copper should begin. That so far only those Silver and Copper Coins should be made legal tender, and no further, or at least not in any great degree.

This opinion was formed by his Lordship from the comparison of what passed in the reign of William III., with what happened at the end of the last century.† In the reign of William III. when the Silver Coins were the principal measure of property, and were greatly defective, the price of all commodities, it is stated, rose in proportion; but his Lordship conceived, that since

\* Lord Liverpool's Treatise, p. 155.

† Id. 171.

the Gold Coins were become the principal measure of property, though our Silver Coins were lately upon an average as defective, the price of commodities, even when purchased with Silver Coins, did not rise on account of the defect in those Silver Coins. An examination of this point will be made in another part. (See p.35.)

\* The parallel made by the late Master of the Mint, between the Silver and Copper Coins, is not apparently taken from the late Lord Liverpool's Treatise, as his Lordship merely observes, that where the function of the Silver Coin ceases, then that of Copper should begin. But Dr. Adam Smith conceived‡ that some alteration in the proportion between Gold and Silver might be made, provided that Silver should not be a legal tender for more than the change of a guinea; in the same manner as Copper is not a legal tender for more than the change of a shilling; and gave his opinion, that the alteration would not affect the currency, in these words: "That no creditor would be in this case cheated, in consequence of the high valuation of Silver in Coin; as no creditor can at present be cheated, in consequence of the high valuation in Copper." † Dr. Smith also remarked, that in the English Coin, Gold exchanged for about fifteen ounces of Silver, that is,

Dr. Adam Smith's opinion as to limiting the legal tender of Silver Coin.

\* Lords Committees' Report, Appendix D. 10.

† Wealth of Nations, p. 68, 69, vol. i.

‡ Id. vol. i. p. 67.

for more Silver than it was worth, according to the common estimation of Europe; observing, that as the price of Copper in bars is not, even in England, raised by the high price of Copper in English Coin, so the price of Silver in bullion is not sunk by the low rate of Silver in English Coin. Silver in bullion still preserved its proper proportion to Gold; for the same reason that Copper in bars preserved its proportion to Silver. To differ from so eminent an author requires caution:—the inaccuracy of this parallel will be seen in the progress of this work.

General opinion that the alteration in the Silver Coin would not affect our Currency.

\* It has been observed, that it is well known to all who have made inquiries on the subject, that although the Coin has at several periods of our history been debased, so that from a pound of Silver, which formerly was coined into twenty shillings, sixty-six shillings are now coined, yet the standard has never been lowered from the 43d Elizabeth, when sixty-two shillings were coined, until the year 1816, when the number was increased to sixty-six; that measure being justified (the writer alluded to conceived) on the score of convenience, and as not affecting the general rate of our Currency, which, ever since the year 1773, has been measured by the standard of Gold; and the standard of our Gold Coin still remaining unaltered, the legal tender in Silver

\* Letter to the Right Hon. Robert Peel on the Pernicious Effects of a Variable Standard of Value, by one of his Constituents. Oxford, 1810, p. 73 and 74.

being also reduced to forty shillings, it was admitted on all sides to be no encroachment on the principle of a permanent Standard of Currency.

This appears, indeed, to have been very generally the opinion; and, although there were some exceptions, the objections were not explained so as to produce the least conviction of their being well founded. \* In the House of Lords, one Peer objected to the scheme of rendering Gold the Standard of Value in this country, observing it was in opposition to the opinions of Locke, Harris, Sir Isaac Newton, and of all the writers who had treated of the subject, except the late Lord Liverpool. † Some of the witnesses examined by the Lords Committees appointed to inquire into the state of the Bank of England with respect to the expediency of the resumption of Cash Payments, expressed their opinions that the present regulations of the Mint for the Coinage of Silver must of themselves occasion a perpetual drain of Gold from this country, and thereby oppose an insurmountable obstacle to the resumption of metallic payments by the Bank at the present Standard of Value.

The exceptions to the general opinion.

The Committee more particularly refer to the evidence of two Merchants on one side, and the First Clerk of the Mint on the other; also to a paper received from the Master of the Mint, referred to at the beginning of this inquiry, as

\* Earl of Lauderdale. See Times Journal, 18th June, 1816.

† Lords Committees' Report, p. 23.

showing the Principles on which the Coinage has been issued; and the Committee stated that they saw no ground to apprehend that the present Mint regulations respecting the Silver Coinage—so long as such Silver Coin shall not be a legal tender beyond the amount of 40s., and the Mint shall not be open to the public for the Coinage of that metal—would oppose any obstacle to the successful execution of the plan which they recommended.

Sir Isaac Newton's opinion has not, it appears, been duly estimated.

On attentively examining the evidence of the \* Merchants alluded to, it will appear that although, as observed by the Lords Committees, their opinions have been fully explained, they are not stated so as to clearly unfold the manner in which the consequences predicted would be produced. In regard to the evidence of the First Clerk of the Mint, as the whole of this work is intended as a refutation of the opinions entertained by him in common with many persons, it would have been unnecessary to make any particular remarks on it; † but the doubt expressed by him, that Sir Isaac Newton did not see the effect of the new Principle in Currency, as he seems to have supposed it, of having only one Standard of Value, is rather too offensive to the national feelings of pride for our most illustrious countryman.

The Principle stated by Sir Isaac Newton

\* Messrs. Page and Fletcher.

† Lords Committees' Report, p. 210.

seems perfectly clear and correct in his Report \* delivered to Government in 1717, which at that time produced the alteration in the current value of the guinea from 21s. 6d. to 21s., by which Gold was lowered so as to have nearly the same proportion to the Silver money in England, which it had to Silver in the rest of Europe, and, as Sir Isaac Newton observed, *which it ought to bear by the course of Trade and Exchange in Europe*. Respect for his extraordinary talents should have shielded that great Man from the reflection which the doubt conveyed; and might rather have been a ground for doubting the correctness of sentiments opposed to the unequalled judgment of one, distinguished for the deep research and extensive view which he took of every subject that came under his consideration.

\* Report made to the Treasury by Sir Isaac Newton, Master of the Mint, concerning the state of the Gold and Silver Coins.—See Cobbett's Parliamentary History of England. December 1717.

SECOND PART.

AN EXAMINATION OF CERTAIN OPINIONS RELATING TO A METALLIC CURRENCY.

Opinions that the use of the precious metals was discovered by man.

ALTHOUGH Gold and Silver are universally used in all civilized countries as the Standards of Value, the theory of Money appears to be still undetermined. The various and contradictory opinions promulgated are sufficient ground for this assertion, if our present system were not ample proof. In the first step towards explanation, there appears to be an error, which may perhaps account for these unsettled notions, and the vain efforts made to discover a better Measure of Value. Some authors attribute the use of the precious metals to necessity—as a contrivance of man to supersede the use of all former contrivances—either forgetting, or not believing, the fact conveyed to us by Sacred History, that Gold and Silver were used in the earliest times, as the means of exchanging commodities.

\* That there was current Money in Abraham's time is past doubt, though it is not certain that it was stamped, for he is said to have been rich in cattle, in Silver, and in Gold. † In the purchase of a burying-place, he weighed to Ephron four hundred shekels of silver, current money with the merchant. The necessity of having a Medium of Exchange is obvious; but it is highly improbable that the several peculiar qualities of Gold and Silver could in that early period have been discovered by man, without that aid by which he named every living creature.

As Money, the precious metals may not in the most early period have been used, although known; but when men began to multiply on the face of the earth, they probably soon resorted to the use of them. The inventor of Money was by some Jewish writers believed to be Cain, Adam's eldest son, to whom Josephus ascribes it; and a celebrated writer‡ has observed, that Cain's lineal descendant and namesake, Tubal Cain, probably had his art from him, for he was a great artificer in brass and iron.§ The remark of a foreign author,|| that Gold and Silver became universal Money, not in consequence of any arbitrary agreement among men, or of the intervention of any law, but by the nature and force of things, is a strong avowal of the precious metals being the fittest materials for a Measure of Value; and there

Their peculiar qualities have induced mankind to continue the use of them.

\* Genesis chap. xiii. † Id. ch. xxiii. ‡ Arbuthnot on Coins. § Genesis, chap. iv. || M. Turgot.

seems no reasonable cause for doubting that the knowledge of their fitness was *in the Beginning* communicated to man, and was not discovered either by chance or necessity.

\*“The union of the different qualities of comparative steadiness of value, divisibility, durability, facility of transportation, and perfect sameness in the precious metals, has, no doubt, since formed the irresistible reason which has induced mankind, in every civilized community, to use them as Money.” In some countries, the want of Gold and Silver has compelled men to resort to various methods of supplying their place: salt, cattle, and even shells, have been used, to facilitate the exchange of commodities.

Origin of the institution of Coins.

The date of the invention of Coins is considered too remote, and too much involved in fable, to be accurately ascertained. From this obscurity, however, its high antiquity may be fairly inferred, and its origin placed prior to all authentic profane history. The necessity of having Coins may have arisen from the fraudulent practice of debasing the precious metals with coarser substances, as well as from the difficulty of ascertaining the weight and degree of fineness. In ancient times, the names of given sums of Money do not seem to have been the names of any species of Coin, but of different proportions of weights, as the shekel and talent. Gold and Silver were not then perhaps even divided into regular parts, but

\* Principles of Political Economy, by J. R. M'Culloch, Esq. p. 141.

were given and received in masses, or ingots, by weight only.

By Coins the weight and fineness of the metals are known, and the institution of them is clearly for the purpose of obviating the difficulty and inconvenience of assaying and weighing the metals. \* The right and duty of Coining has been well described “as one of the most important attributes and functions of Sovereignty, and consists in affixing to certain pieces of the precious metals a stamp, which becomes to the subject of the State, and to all the world, a public voucher, that each piece, according to its denomination, is of the weight and fineness fixed by the law of that State. The public honour and integrity of the legislature are pledged to the fidelity and exactness of the voucher, which is thus issued in the name of the Sovereign.”

The most eminent writers on Coins have been of opinion that the Money or Coin which is to be the principal Measure of Property, ought to be made of one metal only. † Mr. Locke observes, “that two metals, as Gold and Silver, cannot be the Measure of Commerce both together in any country, because the Measure of Commerce must be perpetually the same, invariable, and keeping the same proportion of Value in all its parts; but so only one metal does and can do to itself. An ounce of Silver is always

Opinions of most writers that only one metal can be the Standard of Value.

\* Mr. Huskisson, p. 5 and 6.

† Further Considerations on Money, p. 20.



of equal value to an ounce of Silver, and an ounce of Gold to an ounce of Gold; but Gold and Silver change their value one to another; and one may as well make a measure, namely, a Yard, whose parts lengthen and shrink, as a Measure of Trade for materials, that have not always a settled, invariable value to one another. One metal, therefore, alone can be the Money of Account and Contract, and the Measure of Commerce, in any country." \* Mr. Harris also expressed a similar opinion; † and such also is the opinion of the late Lord Liverpool; but the others preferred Silver, and his Lordship preferred Gold.

In what manner Coins are the Standard of Value.

A certain quantity of Gold uncoined, is considered equal to a certain quantity of Silver uncoined, and each is of course equal to a certain quantity of other commodities. Money, or Coin, is a fixed quantity of the precious metals; it is not an expression for one metal only, but includes both Gold and Silver; whatever regulations, therefore, affect one as Money, must also affect the other. To make any difference between them, other than what naturally subsists between the metals, whilst both are used as Money, must inevitably create confusion. There cannot really be any difference between any given Coin and an uncoined piece of the same metal of equal weight and fineness, except that the quantity of the former is accurately ascertained and publicly

\* Essay upon Money and Coins, p. 57.

† Lord Liverpool's Treatise, p. 152 and 153.

proclaimed to all the world by the stamp which it bears. The Coins of a country can therefore only be considered the Standard of Value, so far as they can be used in lieu of the metals in bullion. By the metals we estimate the value of other commodities, but by Coins we are enabled to express that Value in certain terms which are universally understood, although one term, the Pound Sterling, was never the name of a single Coin.

It is well known that the value of the Pound Sterling has been altered very much since the accession of William the First. At that period the Pound in tale was equal to the Pound in weight of Silver. The first Coins were of Silver, and the only Coins at that time were Pennies or Sterlings. There could not be any difficulty then in making exchanges; the price of a certain quantity of Gold, or of any other commodity exchangeable for one pound weight of Silver, was expressed by the terms Twenty Shillings, or One Pound Sterling, which were consequently not only the Measure of Value, but the Equivalent.

Successive debasements of the Silver Coins were effected, until the Pound Sterling, in the time of Elizabeth, was less than one-third of the pound weight. All commodities continued to be estimated by the value of Gold and Silver; but the price of the quantity formerly purchased with the full Pound Sterling must necessarily

Origin of the Pound Sterling and its present Value.

have risen in the same proportion as the weight of Silver was lessened. Coins cannot therefore be an Equivalent, unless by the number given they are equal to the market proportions of the precious metals. The Pound Sterling, whilst the Coins are fabricated in just proportions, continues the Measure for every thing. It is the weight is the Measure, *and that is invariable*; but in proportion that the Pound Sterling or weight is lessened, the quantity of both Gold and Silver is lessened; and in the same proportions will every thing rise in price, because a larger number of Pounds Sterling forms the pound weight of Silver.

The precious Metals are the means by which Exchanges are effected.

All Measures must in the nature of things be Units—that is, a Standard, properly so called, must be one determinate individual thing. We cannot measure or determine any quantity, except by considering some other quantity of the same kind, as known and pointing out their mutual relation. In order to determine the quantity of a weight, we must take a certain known weight. The Pound Troy was the weight anciently used, and this known magnitude was considered the Measure, or Unit; and the proportions of any proposed quantity are known by this Measure.

By universal consent, the precious metals are used as the means by which Exchanges are effected. To express the value of substances,

except by quantity, is impossible; and it is essential that there should be two objects brought into comparison. Gold and Silver being nearly alike in qualities, and the least variable of any commodity, are providentially fitted for measuring the value of things. About  $15\frac{1}{2}$  parts of Silver to 1 part of Gold, are considered the relative values of the metals: if a commodity is worth one, it is worth the other; and the same term, our Pound Sterling, is, or rather now ought to be, the expression for the value of each proportion.

\*The cause of the difference in the value of the two metals is attributed to the circumstance of Gold costing so much more to produce it than Silver. "That it is an admitted fact that the producers of Gold do not gain any greater profit than the producers of Silver, Iron, Lead, or any other metal. They have no monopoly of its production. Every individual who chooses may send capital to Brazil, and become a producer of Gold; and wherever this is the case, the principle of competition will always force the product to be sold at such a price as will just pay the expenses of its production. Were a Gold mine discovered of equal productiveness with the Silver mines, the production of Gold would become the most advantageous of all business; an immense supply of that metal would in consequence be thrown upon the market, and its price

Cause of the difference in the Value of the two Metals.

\* Mr. M'Culloch's Political Economy, p. 254.

would in a very short period be reduced to the same level as Silver."

Gold cannot act as the Medium of Exchange so universally as Silver.

The quantity of Gold equal to one pound weight of Silver could not at any period, and the least proportion was as 9 or 10 to 1, have been divided into so many parts as to have been generally so useful as the Medium of Exchange for small quantities of commodities. One ounce of Gold is now divided into not quite four sovereigns, or eight half-sovereigns, which is the smallest size to be used conveniently. Presuming  $15\frac{1}{2}$  ounces of Silver to be the market proportion for one ounce of Gold, that quantity of Silver was, prior to the year 1816, divided into eighty Shillings, or one hundred and sixty Sixpences, and is now divided into eighty-five Shillings, or one hundred and ninety Sixpences.

This incapacity of Gold to act as the Medium of Exchange in the numerous small transactions hourly occurring, renders it unfit to be the Standard of Value. Most persons, and particularly the poorer classes, use Silver alone almost as the means of procuring the necessaries of life; and it is not probable, although they may not generally inquire as to the value of Silver, they should believe that the diminution of the weight of the Silver Coins will not have the effect of raising the prices of commodities. When the Mint proportions are correctly adjusted, they have no cause for considering what may be the value of Gold and Silver: their reliance on

the Coins is a necessary consequence, and is intended to simplify the operation of Exchange. Fix incorrect proportions between the Coins, and confusion and uncertainty will prevail.

Before entering on the subject of Foreign Exchanges, it will assist the inquiry to review briefly the several alterations made in the Coins since the Conquest. In the time of William the First, the pound weight of Silver was divided into two hundred and forty parts, called Pennies or Sterlings, twelve of which made a Shilling, and twenty Shillings a Pound Sterling.\* It is thought that the word came from the name of a people called Easterlings, as the first workers of Silver in England. † Gold was not coined until the reign of Henry the Third, who made what was called a Penny, of fine Gold weighing two Sterlings, or Pennies. ‡ Pennies were the only Silver Coins, and were, it is believed, of pure Silver. It was afterwards found convenient, in the fabrication of Monies, to have a certain quantity or proportion of baser metal to be mixed with the pure Gold and Silver; and the word 'Sterling' was introduced to denote the certain proportion or degree of fineness which ought to be retained in the Coins.

§ It appears by a Mint indenture of 18th Ed-

\* Report to the Treasury, by William Lowndes, Esq. p. 16. 12mo. 1695.

† Snelling's View of the Gold Coin, &c. p. 1. 4to.

‡ Mr. Lowndes' Report, p. 15. § Id. p. 17, 18.

Explanation of the term Sterling, or Standard Gold and Silver.

ward III., that a pound weight of *Old Sterling*, or *Right Standard Silver of England*, consisted then (as it does now) of 11 oz. 2 dwts. fine Silver; and 18 dwts. alloy. That a pound weight of *Old Sterling*, or *Right Standard Gold of England*, consisted of 23 carats and  $3\frac{1}{2}$  grains of fine Gold, and half a grain of alloy. Every grain of Silver was called a subtile grain, sixty of which were equal to one grain of Gold.\* In the Silver, therefore, the alloy exceeded the quantity in the Gold Coin, exactly one-fourth of a Penny in each ounce, and is allowed to be the least quantity which can be used to render the Silver sufficiently hard to resist abrasion. As half a grain of alloy in the Gold Coins has been found insufficient to prevent them from wearing too readily, (two carats, or eight grains of alloy are now used,) it may be inferred, from the small quantity used, that there was anciently great care in preserving the purity of Coins.

Alterations in the Pound Sterling and the Coins previous to the reign of Henry the Eighth.

The first alteration in the Pound Sterling was made by Edward the First. † It appears by an indenture of the Mint in the 28th year of his reign, that an indented trial-piece of the goodness of Old Sterling was lodged in the Exchequer; and every pound weight Troy of such Silver was *to be shorn at twenty shillings and three-pence*. This alteration being only one-fourth of a Penny from each ounce of Silver, was probably made to avoid increasing the quantity of alloy

\* Mr. Lowndes' Report, p. 18.

† Id. p. 34.

in the Silver, and yet effect a less difference in the relative values of the Gold and Silver Coins.

Edward the Third made the next and several alterations in the Coins, both in the relative Values, and in the Pound Sterling; but finally, in the twenty-seventh year of his reign, the proportion was fixed by the Mint as 12 to 1, a pound of Silver being coined into seventy-five grosses, or groats, amounting to twenty-five shillings; and a pound of Gold into forty-five nobles, amounting to 15*l*. Henry the Fifth raised the value of Silver a little; but reduced the Pound Sterling by coining a pound of Silver into thirty shillings. Henry the Sixth, in the first year of his reign, reduced the Pound Sterling by coining a pound of Silver into thirty-seven shillings and sixpence, and a pound of Gold into 22*l*. 10*s*. which still made the relative Value of the Coins as 12 to 1. In his fourth year, the Coinage was altered in the same manner as by Henry the Fifth; but in his twenty-ninth year, it was again altered as fixed in the first year of his reign. Edward the Fourth raised the value of Gold one year, but altered it again to the same proportions as left by his predecessor.

The most extraordinary debasements were made by Henry the Eighth, and were continued till nearly the end of the reign of Edward the Sixth. Several alterations in both Coins were also made. The Silver Coins were debased with one-half, two-thirds, and even three-fourths of alloy; and

The wretched Debasements of the Coins by Henry the Eighth, and their reformation.

some Gold Coins were debased with one-twenty-fourth, one-twelfth, and one-sixth of alloy. In the last year of Edward the Sixth, a reformation of the Coins began, and the proportions were again fixed as 12 to 1, by coining a pound of Gold into 36*l.* and a pound of Silver into sixty shillings. Elizabeth completed the reform; but in the 43d year of her reign, the Pound Sterling was again altered, by coining a pound of Silver into sixty-two shillings.

From that time to the 56th George the Third, the Pound Sterling remained unaltered; but the coinage of Gold was altered by James and Charles the First, and, finally, by George the First, who coined a pound of that metal into 46*l.* 14*s.* 6*d.* Those alterations in the Gold Coin were necessary, in consequence of the decrease in the value of Silver, after the discovery of the mines of America; and the last fixed the relative Values of the Coins at  $15\frac{1}{2}$  to 1. The alteration in the year 1816, by which the pound of Silver was divided into sixty-six Shillings, has fixed the relative Value of the Coins at about  $14\frac{1}{2}$  to 1, making a difference with the proportion in the French Coins of nearly  $9\frac{1}{2}$  per cent., and a diminution of the Pound Sterling, or (what is the same thing) a rise in prices of nearly  $6\frac{1}{2}$  per cent.

The maxim by which Commerce and Exchanges are governed, is a mathematical axiom.

The first axiom in Mathematics, "That things which are equal to the same, are equal to one another," is also the maxim in Commerce and

Exchanges. By the relative Values of Gold and Silver, the Prices of all commodities are fixed. If the proportions between the precious metals are generally estimated at  $15\frac{1}{2}$  to 1, in those proportions they are exchangeable with other commodities; and unless Coins are issued as nearly as practicable of the same relative Value which the metals bear in the market, the undervalued Coin will not long remain in circulation at home. \* Sir Isaac Newton has observed, that it appears by experience, as well as by reason, that Silver flows from those places where its value is lowest in proportion to Gold, as from Spain to all Europe, and from all Europe to the East Indies, China, and Japan; and that Gold is most plentiful in those places in which its value is highest in proportion to Silver, as in Spain and England.

To fix, therefore, a Value on our Silver Coins beyond that at which the metal is estimated by most other nations, will undoubtedly make Silver become plentiful, and be the means of retaining such Coins in this country; but it must necessarily occasion our Gold Coins to flow to other countries, where juster proportions are observed in Coining the precious metals. In what manner Gold again returns to this country, will be shown when the principles of Exchanges have been examined.

Although by those strange debasements of

\* Report to the Treasury in 1717.

Of all Standard Measures, Money should be most sacredly kept from alteration.

Money in former times, the subject is now become rather obscure; yet it is clear that sums of Money under certain names should contain specific quantities of Silver. \* Any debasement, however small, has been always condemned as an outrage against common sense as well as common honesty, and such a manifest violation of property, that it may be wondered how men having large possessions, and more especially Ministers of State, could ever be brought to concur in Measures so pernicious and destructive to themselves, to the public Revenues, and to the public faith and credit.

In these enlightened times, distinguished by equal laws, and an equal distribution of them, this fatal error can only be attributed to wrong judgment arising from imperfect investigation of the subject. The delusion appears, however, to be very general; yet it seems most extraordinary that, under any circumstances, it should be imagined a less part than formerly of a given weight should be used in future as the same weight; for shillings, twenty of which anciently made a pound weight, are nothing more than proportionate parts of that weight, and the stamp is intended as a declaration of the specific weight.

Of all Standard Measures in any country, that of Money is the most important, and what should

\* Harris' Essay, p. 35.

be most sacredly kept from any violation or alteration whatsoever. Money or Coin is not only an universal Measure of the Values of all things, but is also at the same time the Equivalent as well as the Measure in all Contracts, foreign as well as domestic. All payments abroad are regulated by the Course of Exchange, and that is founded upon intrinsic Values, and not on the mere names of Coins.

THIRD PART.

EXAMINATION OF CERTAIN OPINIONS RELATING TO THE FOREIGN EXCHANGES.

Opinion that the Alteration in the Silver Coin will not affect the Exchanges.

It has been stated that the Price of Bullion and the Rates of Exchange have no more connexion with the state of the Silver Coinage, than that of the Copper Coinage. \* That the limited Amount for the purposes of Circulation, and the restriction of the Legal Tender to 40s. is a sufficient protection against the possibility of its having any influence on the Standard of the country; and that we have had a Silver Coinage much more debased, which had no effect upon the Exchanges, or the price of Bullion.

Upon the principles of our Mint, as amended by Sir Isaac Newton, the proportion of Standard Gold to Silver was at that period nearly the same as the market proportions of those metals.

\* Lords Committees' Report, p. 122.

It was therefore matter of indifference to foreigners, whether they eventually should be paid in Gold or Silver Coin; whichever they were to receive, they knew the Coins must be of the weight and fineness fixed by law; and as their proportions were nearly the same as the market proportions, each would purchase the same quantity of goods; at any rate, any small difference was easily adjusted by the Course of Exchange.

The late Lord Liverpool advised \* that the charge of fabrication should not be taken from those Coins which are the principal Measure of Property and instrument of Commerce, because the Merchants of foreign nations, who have any commercial intercourse with this country, estimate the value of our Coins only according to the intrinsic value of the metal that is in them; so that the British Merchant would, in such case, be forced to pay, in his Exchanges, a compensation for any defect which might be in those Coins; and he must necessarily either raise the price of all Merchandize and Manufactures sold to foreign nations, or submit to the loss.

Late Lord Liverpool's opinion that Foreigners estimate our Currency by our Gold Coin only.

His Lordship conceived † that our Commercial Balances with foreign nations are not only regulated by Gold Coin, but paid in them; and that when the Exchange with foreign nations is at any time against this kingdom, any defect in the Gold Coins, which are the principal Measure

\* Lord Liverpool's Treatise, p. 154.

† Id. p. 170.

of Property, will then first show itself by a rise in Foreign Exchanges to our disadvantage, and the Merchant, to compensate the loss he sustains thereby, will naturally raise, in due proportion, the price of all his merchandize. This increase of price would gradually extend itself to every commodity, and at last reach even the most common necessaries of life.

The ground of his Lordship's opinion stated.

Such, his Lordship observes, is the progress by which the price of all commodities is raised, in consequence of a defect in our Coins. But he adds \* that this rise is influenced by a defect in that sort of Coin only which is the principal Measure of Property, and in which our Balances to foreign countries are regulated and paid. This his Lordship illustrates by comparing what happened of late years, to what happened in the reign of William the Third, when the Silver Coins were the principal Measure of Property, and were greatly defective; but he observes, that since the Gold Coins are become the principal Measure of Property, though our Silver Coins were, upon an average, as defective as they were even before the general recoinage in the reign of William the Third, the price of commodities, even when purchased with Silver Coins, has not risen on account of the defect of those Silver Coins; the present defective Silver Coins (in 1805) continue to be paid and received at their nominal value.

\* Lord Liverpool's Treatise, p. 171.

In this instance his Lordship appears to have overlooked the circumstance of the proportions between the two Coins having been adjusted by Sir Isaac Newton's advice since the time of William the Third. There is also obviously a wide distinction between a general consent to receive Coins in a defective state from wear, and a compulsory acceptance of Coins issued by Government of less than their intrinsic value; but it will appear on consideration, that foreigners must always estimate our Currency by the Coins as first issued from the Mint.

If any of our old Silver Coins had been offered abroad in payment of a debt, the value would no doubt have been estimated by the intrinsic worth; but in calculating the value of a Bill of Exchange for a certain number of Pounds Sterling, a foreigner could not take the intrinsic value of Coins circulating in this country; for, independent of other difficulties, it is notorious that they were almost as various in their degrees of baseness as their numbers. In all operations of commerce, where Bills of Exchange so expressed are the Media of Exchange, the value of Coins must be estimated at the intrinsic value at which they are issued from the Mint; and, if payments are to be made in Coins, they must be of the weight as first issued, or the deficiency must be made good by additional numbers.

The Exchanges must be computed on the value of the Coins as first issued by our Mint.

It is clear that there must be some definite rule in computing the Exchanges; for if the value of



our Currency depended on the value of the Coins actually in circulation, in what manner is their value to be ascertained, the loss by abrasion being continual and various according to the extent of their circulation? The rule is manifestly to take the intrinsic value of the Coins as issued by our Mint.

The Par of Exchange as explained by the Bullion Committee.

In the Report of the Select Committee of the House of Commons on the high Price of Gold Bullion, the Par of Exchange between two countries is stated to be that sum of the Currency of either of the two, which in point of intrinsic value is precisely equal to a given sum of the Currency of the other; that is, contains precisely an equal weight of Gold or Silver. But if one country uses Gold for its principal Measure of Value, and another uses Silver, it is stated that the Par between those countries cannot be estimated for any particular period, without taking into account the relative Value of Gold and Silver at that particular period; and as the relative Value of the two precious metals is subject to fluctuation, the Par of Exchange between two such countries is not strictly a fixed point, but fluctuates within certain limits.

The relative Value of Gold and Silver the only means of fixing the Par of Exchange.

In what other manner can the Exchanges be computed, even where both countries have Silver for their Standard? The Par of Exchange cannot in any case be computed without fixing a

relative Value between the two metals.\* It is essential to Value that there should be two objects brought into comparison. It cannot be predicated of one thing considered alone, and without reference to another thing. Value denotes nothing positive or intrinsic, but merely the relation in which two objects stand to each other as exchangeable commodities.

† The Par of Exchange, in the published tables, is stated at 25 fr. 26 c. for our Gold piece, the sovereign; and at 23 fr. 40 c. for twenty Shillings; but the point to be ascertained is the Value of our Pound Sterling, which signifies both Gold and Silver. Bills of Exchange do not express that the payment is to be made in any particular Coin; and although it may be known by foreigners that they may receive Gold Coin, because we cannot compel them to take more than 40s. in Silver, they must value Gold by its relative Value to Silver. Whether we declare Gold or Silver to be the Standard of Value is immaterial to foreigners. There is only one correct manner of making the computation, which is by learning the number of Pounds Sterling contained in one pound weight of Silver; and by that the value of Gold is ascertained and expressed in our Money term.

\* Critical Dissertation on the Nature, Measures, and Causes of Value, p. 4. Published by Hunter, in 1825.

† Universal Cambist, by Dr. Kelly.

Manner in which the Debasement of the Silver Coin affects the Exchanges.

As most operations of Exchange are conducted by means of Bills of Exchange, the effect of the debasement of the Silver Coins is, it would seem, lost sight of. A pound of Silver being now divided into sixty-six Shillings instead of sixty-two Shillings, must compel foreigners to add four shillings to the price of every thing equal in their estimation to that weight of Silver; and whether it be Gold, Silver, or Goods which we want, they must, agreeably to the axiom "That things which are equal to the same are equal to one another," demand for every thing that price which we by our Mint regulations have fixed as the comparative Value of Gold and Silver; for it must be carefully kept in view that our Pound Sterling is the term used to express the Price of every thing, and that the Price is the comparative Value of the precious metals.

Suppose that a Bill of Exchange for One Hundred Pounds Sterling is offered at Paris to a person unacquainted with our regulations: he must first inquire in what proportions our Coins are fabricated; and his computation would be, that as one pound of Silver is coined into 3*l*. 6*s*. the sum of One Hundred Pounds Sterling would purchase in France about 30½ pounds of Silver, which is equal to 2518 francs. On finding that our Gold Coins, the sovereign, are worth 6½ per cent. more, than twenty Shillings, the quantity which by law they must pass for in this country, the foreigner would no doubt be desirous of pro-

curing one hundred sovereigns, which in France are equal to 2539 francs; but the advocates for the present system assert that the sum of one hundred Pounds Sterling is equal to 2539 francs, as foreigners can only be compelled in this country to take Gold Coin.

If one hundred sovereigns should be offered in France, the value of them as metal there would most probably be received; but if Silver Coins were offered, the value of them as metal in France, and not their value as fixed in England, could only be received. The point for consideration, therefore, is, what quantity of their Currency they will give for a quantity of goods which we state to be worth one hundred Pounds Sterling in our Currency. We call one hundred sovereigns, and also two thousand Shillings, by the same term, one hundred Pounds Sterling.—On which is it most probable that foreigners will compute the Value of our goods?

But allowing the supposition, that whilst this country can send Gold abroad, there may be an opinion that the Pound Sterling should be valued by Gold alone; yet the time may arrive when Gold cannot be remitted; and if our Merchants have only Silver to offer, is it probable that the Exchanges will then be computed on Gold? In ordinary times there is in few commercial transactions a direct Exchange of the precious metals. Bills of Exchange are the media by which

If the Exchanges have not yet been generally, they will eventually, be computed on our Silver Coins.

Commerce procures both Gold and Silver and all commodities. If this country should be in want of Gold, can it be credited that foreigners will not seize the opportunity (which has no doubt already been done) of turning against us those Measures by which we have endeavoured to retain our Silver Coins in this country? It would, under such circumstances, be inconsistent to imagine that they will suffer us to compute the Value of our goods on the Value of that which we do not possess.

If the proportions between our Coins are not fixed so as to enable foreigners to compute on either Gold or Silver Coin *with the same, or nearly the same result*, they will assuredly endeavour to make their calculations on that Coin which offers to them the greatest profit. Our Merchants will remonstrate in vain: necessity will compel them to agree to that mode of computation, or if Gold should be scarce, to use our debased Silver Coins; and in either alternative the loss would be the same.

The Course of Exchange is settled by reference to the Pound Sterling.

The foregoing arguments have been used so far as regards the opinions that the Exchanges are computed on the Value of Gold Coin; but the truth is, that the Course of Exchange is always settled by a reference to the Money Unit, or Pound Sterling; and the foreign Exchangers expect to be paid in the Money of Account, without any consideration, generally, whether the payments may be made in Gold, Silver, or

Bank Notes. \* The Par of Exchange differs from the Course of Exchange in this;—the Par shows what any other nation ought to allow in Exchange, the Par being certain and fixed by the intrinsic Values of the several Coins when estimated against each other; but the Course shows what the Exchangers will allow in exchange, which is uncertain and contingent.

Exchange operations are governed by a greater or smaller demand for Bills, and the Exchanges can in peaceful times be influenced by commercial causes only. In negotiating a Bill of Exchange, the question always is, what quantity of Foreign Currency will be given for each Pound Sterling. Whatever may be our regulations, they will not be the law to foreign countries; their merchants will always compute the Exchanges according to their estimation of our Currency; and if our Coins are not fabricated nearly according to the market proportions of the metals, there seems no other alternative than taking the mean Value.

As the difference between the proportions fixed by the French mint, and by our mint, is nearly 9½ per cent., there is ample room for uncertainty in estimating the Value of our Currency; and even if the mean Value could be imagined to be exactly taken, there would be nearly 5 per

The mean Value of our Coins the least extent of the Depreciation of our Currency.

\* Considerations on Commerce, Bullion and Coin Circulation and Exchanges. By George Chalmers, p. 38.

cent. depreciation. The probability is, that foreigners will not have that reliance on our power of providing Gold, and will therefore, incited by their constant maxims of prudence and profit, incline the Course of Exchange more towards the Par on our Silver Coins; and the computation will inevitably be made on them, if there should ever be a scarcity of Gold in this country. It must be obvious, that although the Exchanges will be variable from other circumstances, yet so long as the debasement of our Silver Coin continues, there must be some permanent difference against us, compared with the Exchanges previous to the alteration in the relative Values of the precious metals.

Singular coincidence, that the Rates of Exchange adapted themselves to the Depreciation.

It appears by the "Price Current," that the Course of Exchange with Paris during the year 1816, was on the average about 25 fr. 40 c.; that in the years 1817, 1818, and 1819, the Exchanges continued falling, until they reached so low as 23 fr. 50 c.; and that during the whole of those periods, the Price of Gold remained even higher than in the year 1816. \* One of our most respectable merchants, who was examined by the Lords Committees in 1819, admitted that there was a *singular coincidence* of facts in favour of an opinion contrary to that which he entertained;—"that the Rates of Exchange have no more connexion with the state of the Silver Coinage than that of the Copper Coinage," the

\* Lords Committees' Report, p. 122.

Rates having adapted themselves nearly to the scale of that depreciation.

\* When asked how he accounted for the fact, that about a year before the month of March 1817, the Foreign Exchanges were such as must have occasioned Gold to flow into this country, and immediately after March they were in a state that secured its going out of the country, though Bank Paper had not increased in amount at that time—he ascribed it to the excess of paper; for he knew of no other mode of judging the question of excess, than by that very criterion of the state of the Exchanges and the Prices of bullion. He added, indeed, that the investments of capital abroad, and large importations of Corn, were the immediate causes of the unfavourable Exchanges on the Continent.

An investigation of the causes of fluctuation in Prices would lead beyond the limits of the subjects under inquiry; and is unnecessary, the task having been already most satisfactorily performed.† There cannot be any reasonable doubt that the present System of Coinage is partly the cause of the high Prices of Commodities. Foreign Exchanges have fallen, and our merchants have

\* Lords Committees' Report, p. 124.

† Mr. Tooke's works on High and Low Prices, and the State of the Currency. In the first, Mr. T. has stated, that Silver is to Gold as 1 to 15  $\frac{21}{100}$  in England; and that an ounce of Silver is coined into 62 pence. Has he forgotten the alteration in the Silver Coinage? p. 214.

been compelled to raise the price of their importations, though not yet perhaps sufficiently to enable them to realize their accustomed profits; and thus gradually the prices of our produce and manufactures have been rising, and will rise until every thing, even the necessaries of life, have attained the same level.

The Rates of Exchange, down to the present period, mark the Depreciation.

Since the year 1819, the Exchanges have been more favourable; but if the Par computed in Gold can really be considered the true Par, the rise would not appear proportionate to what might be expected from the Balance of Trade, as the commerce of this country has manifestly from that time been increasing each year, in a degree far surpassing the most sanguine expectations. In fact, the real Par has been altered by the debasement of our Metallic Currency.\* “It has been explained by high authority, that if the country, whose Currency has been depreciated in comparison with the other, has the Balance of Trade also against it, the computed rate of Exchange will appear to be still more unfavourable than the real difference of Exchange will be found to be; and so if that same country has the Balance of Trade in its favour, the computed rate of Exchange will appear to be much less favourable than the real difference of Exchange will be found to be.”

It is of the highest political importance that this subject should be well understood; for if the ad-

\* Bullion Report, p. 10.

vantages which one country may make upon another in the mystery of Exchanges and Valuations of Coins be not thoroughly discovered and prevented by such as sit at the helm of the State, it may, as an old author has observed, fare with them after much commerce, as with some bodies after much food,—that instead of growing full and fat, they may pine away and fall into irrecoverable consumption.

When a scheme for debasing the Coins was taken into consideration in the time of Charles I., one of his councillors delivered his objections to the measure, in a speech which deserves to be recorded in the most durable characters; and concluded with the following sound advice:—\*“If the proportion of Gold and Silver to each other be wrought to that Parity by the advice of artists, that neither may be too rich for the other; that the mintage may be reduced to some proportion of neighbour parts; and the issue of our native commodities may be brought to overbalance the entrance of the foreign; we need not take any shift, but shall again see our trade to flourish, the Mint, as the pulse of the common wealth, again to beat, and our Merchants by industry to be mines of Gold and Silver to us, and the honour, justice, and profit of his Majesty supported.”

Admirable Speech of one of Charles the First's Councillors against a Scheme for debasing the Coins.

\* Sir Thomas Rowe—Harris' Essay, Part 2, p. 10.

FOURTH PART.

AN EXPOSITION OF THE EFFECTS OF OUR PAPER CURRENCY.

The Arguments used to prove an Excess of Paper Currency.

AN excess of Paper Currency has, it is asserted, in the first instance the same effect upon Prices as an excess of the precious metals to the same amount would have in any particular country; but it does not admit of the same relief—it cannot right itself by exportation.\* This argument has been used by one of our most intelligent Statesmen; and the following has also been stated by him as proving an excess of Paper. “A pound of Gold and 46l. 14s. 6d. being equivalent, being, in fact, the same thing under different names, any circulating credit which purports to represent 46l. 14s. 6d. ought, by the law of this country, to be exchangeable at will for a pound of Gold. But the sum of 46l. 14s. 6d. in our present Paper (1810) will procure in exchange for

\* Mr. Huskisson, p. 12.

Gold only 10½ ounces of that metal. A pound of Gold is now exchangeable for 56l. in Paper Currency. Any commodity, therefore, which is equivalent to a pound of Gold, is also equivalent to 56l. in Paper. It follows that the difference between 56l. and 46l. 14s. 6d., or between 12 and 10½ ounces of Gold, arises from the depreciation of the Paper, and is the measure of that depreciation, as well with respect to Gold, the universal Equivalent, as to any other commodity.”

In these arguments there is no distinction made between a pound of Gold in metal uncoined, and that quantity in Coin. The first, being a commodity, fluctuates in value according to the quantity and demand; but the latter has by law a fixed value, or price, and therefore 46l. 14s. 6d. in Coins can legally pass for no greater sum. Bank Notes to that amount represent such a quantity of Coin, and so far only can represent a pound of Gold, for neither Bank notes nor Coins of one determinate quantity can always express the value of a pound of Gold. There is necessarily the same kind of misconception in respect to Bank Notes as to Coins. They are both symbols; and when a pound of Gold is worth 56l. that price is expressed by such a number of Coins or Bank Notes.

It is obvious that the Coins, if they had been allowed to be sold, would have been of the same value as metal; and that they really were so, was the cause of their disappearance. The difference,

Depreciation of Paper most certainly known, by being at a discount.

therefore, between 5*l.* and 46*l.* 14*s.* 6*d.* could not arise from the depreciation of the Bank Paper, in any other sense than its being in common with every thing else, compared to Gold bullion, of less value. A depreciation of Paper would be most certainly known by a Discount being demanded on the Notes; and if the credit of the issuers be shaken, their Notes would be of little or no value. It is admitted, however, that in regard to the Bank of England, there has not been any want of confidence in its solidity.

Prices depend on the Proportion between Commodities and Money.

An opinion has also been expressed by high authority,\* that "as an excess of Paper cannot be exported when it is not convertible into specie, it is not necessarily returned upon those who issued it, but remains in the channel of circulation, and is gradually absorbed by increasing the prices of all commodities." Higher prices will, no doubt, render larger quantities of the Circulating Medium necessary; but the converse, that a large circulation of Paper will raise prices, is by no means a probable conclusion in the manner the proposition is stated.

It seems a maxim almost self-evident, is the remark of a celebrated historian,† that the Prices of every thing depend on the Proportion between Commodities and Money, and that any consider-

\* Report of Bullion Committee, p. 7.—The Speeches of Mr. Vansittart, (Lord Bexley,) published by Hatchard, on this question, are replete with sound sense and arguments.

† Hume's Essay on Money.

able alteration in either of these has the same effect, either of heightening or lowering the prices. "Increase the Commodities, they become cheaper; increase the Money, they rise in value; as on the other hand, a diminution of the former and that of the latter have contrary tendencies. That the absolute quantity of the precious metals is a matter of great indifference. There are only two circumstances of any importance, viz. *their gradual increase*, and their thorough concoction and circulation through the State;" the influence of both which he has explained, by showing that it keeps alive a spirit of industry in the nation, and increases the stock of labour, in which consists all real power and riches.

In a recent work\* it is observed, "That a great part of the fluctuations of Prices may be ascribed to the state of the Currency, is *à priori* to be inferred from principles generally admitted; for the theory of Money alone would lead us to expect, in cases where a great alteration in the prices of numerous and extensive classes of commodities or other objects of exchange cannot be distinctly traced to any adequate difference in the circumstances affecting the supply and demand, that there must have been some corresponding alteration in the amount of the Circulating Medium. The correctness of this inference *à priori*, admits, in the present instance, of being confirmed by direct evidence of the fact of an enlargement of the Circulating Medium."

\* Mr. Tooke's State of the Currency.

Money may increase very considerably before it heightens Prices generally.

The opinion that an increase of the Circulating Medium will in a short period raise Prices, appears to be assumed without having been strictly examined. Cheapness of commodities arising from increase of quantity, may easily be comprehended, the necessities of the parties requiring them to convert them into Money. Money can only fall in value by an increase giving a stronger impetus to labour and industry, thereby occasioning greater consumption of commodities; and not only a considerable time is required, but Money may increase very considerably before it will heighten prices generally. The demand for it is without any limits; it is every where and at all times coveted; and there may be some doubt whether, in that view, the quantity of metallic Currency ever can exceed the demand.

Notes over-issued cannot long remain in circulation, and will necessarily be returned.

Like every other commodity, the Value of the precious metals is subject to variation. Improvements in mining—the discovery of new and more productive mines, may, by greatly increasing the quantity, lower the value. If the metals were to become excessively abundant, they would be used in all kinds of ornaments and utensils; but Bank Notes, if superabundant, must necessarily be returned to the issuers; they are useless beyond the quantity required as the means of exchanging commodities; and are of no value to the holder, unless he has some immediate intention of parting with them.

There are but four circumstances by which Prices can be raised generally, viz. an increased demand arising from an increase of population—taxation—a decrease in the value of Gold and Silver from increased quantity—and a decrease in the value of Coins from debasement. The use of Paper may, to the extent of the quantity of Coins excluded from circulation, also raise Prices generally; but that rise must be also felt in other countries, for an excessive quantity of the precious metals cannot long continue in any particular country. The superabundance will have an immediate effect upon the comparative scarcity in every part of Europe, or even of the world, owing to the great Value compared to other Commodities which those precious metals comprehend in an exceedingly small compass. It is estimated that they flow from one country to another of Europe, upon as small a difference as one-twentieth of their own Value.\*

An excess of Paper may, however, take place to such an extent, as to be productive of very disastrous consequences. Notes issued by Bankers upon mortgages and other securities, may clearly be beyond the quantity necessary for the purpose of effecting the ordinary exchanges of commodities, and may return to the issuers in such large quantities, at particular periods, as to preclude the possibility of an immediate payment. When Notes are issued on the

An Excess of Paper may be productive of disastrous consequences.

\* Bullion Report, p. 11.



security of Bills at short dates, Bankers may compute with some certainty the amount which may at any period return to them; and, at all events, would not be subject to those excessive losses which they experience, when compelled to convert their property into Cash, or Bank of England Notes, to meet any sudden demands as have recently occurred.

Plenty of Money encourages traders to enlarge their speculations.

This country has been for some years carrying on an immense commerce, and must have had so large a balance of trade in its favour, as to have introduced a great quantity of the precious metals. Gold being declared the Standard of Value, and all payments being required to be made in Gold, and the Coin being allowed to be exported, would necessarily occasion an extensive Coinage. This increase of the metallic currency, with large issues of Notes, has encouraged traders, by the plenty of Money, to enlarge their speculations; and many persons not in trade, excited by the prospect of extravagant gains, and the facility which has prevailed of obtaining credit upon all kinds of securities, have entered into rash speculations. If one Bank fail during such a state of things, a run upon the others naturally takes place, and leads to very extensive mischief, from the inability of all engaged in speculations to recall their Monies.

Coins alone can prevent extensive effects of imprudent speculations.

The Bank Note, like the Pound Sterling, is not the representative of any determinate quantity of Gold or Silver bullion, but is the comparative

Value fixed by the Coins; consequently, the absence of the Metals or Coins can have no effect whatever on the value of Bank Notes, whilst the credit of the Bank is strictly preserved. Our knowledge of the relative Values of the metals, and our laws fixing the relative Values justly in the Coins, would be sufficient guides to enable us to exchange our commodities either within this country or with foreign countries; but Coins are absolutely necessary, as the only means of preventing the extensive effects of failures on the poorer classes, arising from speculations, which may sometimes be designated by harsher terms; and Coins are also most essentially necessary in the operations of commerce.

Traffic in our Coins and Bullion by means of Bank Notes.

By fixing the value of the Gold Coin, and yet allowing it to be exported, we give an opportunity for traffic in our Coins and Bullion. An ounce of Gold is coined into 3*l.* 17*s.* 10½*d.* When Bullion falls in price, for instance, to 3*l.* 17*s.* 6*d.*, foreigners prefer Bank of England Notes to Gold Coin, on account of the profit in exchanging Notes for Bullion. The Coin would be only an ounce of Gold, but the Notes procure that in Bullion, and 4½*d.* profit. On the other hand, if an ounce of Gold should be sold for 3*l.* 18*s.* 3*d.*, the Coins would, of course, be more valuable both here and abroad as Bullion, and would be exported at that profit. Unless, therefore, the Market Price is very nearly the same as the Mint Price, we may by our Bank

Notes banish alternately our Coins or our Bullion; not merely without advantage, but with a loss to the extent to which the variations of price may amount.

Measures taken by Government to establish a sound System of Banking.

The Government are taking measures to establish a sound System of Banking throughout the country; and it appears by \* Papers laid before the House of Commons, that the mode to be adopted of attaining that object is, by the Bank of England giving up its exclusive privilege as to the number of Partners engaged in Banking, except within a certain distance from the Metropolis; which concession is required on the ground that the Bank cannot establish Branch Banks to the extent necessary for providing for the wants of the country.

A Reserve of the precious Metals necessary to establish confidence.

A Coinage which costs nothing will most probably be carried to a greater extent than that wherein materials most costly are used. The issue of Notes by Bankers, without an authority from Government, is an anomaly in our Monetary System. The law punishes with extreme severity those who coin with real Gold and Silver, yet individuals are allowed to form Money of Paper, which has no intrinsic worth.

† The only rational foundation for confidence on the part of the Public, in a Bank, is a knowledge that the reserve of precious metals is ordinarily of sufficient magnitude to serve as a

\* Ordered to be printed, 6th February, 1826.

† Mr. Tooke on State of the Currency, p. 105 and 121.

security against casualties and emergencies; and every Banker ought to be called upon to give some pledge of his ability to pay, on demand, the Notes which he may be permitted to issue.

If, by the establishment of extensive and respectable Banks in different parts of the country, it is the intention of Government to rely solely on the number of Partners engaged in Banking, although that measure would clearly lessen the probability of the evils which have resulted from the improvidence of certain individuals, it will only restore confidence, to the extent of opinion, which may be entertained as to the responsibility of the parties.

The Bank of England should be the only source for issuing Notes.

But if Government intend to make such investigation of the affairs of the Parties who may propose to be Partners in the new chartered Banks, as may assure the Public of the solidity of the Banks, it may deserve consideration whether that object would not be better managed by the well-known caution and circumspection of the Bank of England; and in that case it would be merely necessary to prohibit, by law, the issue of any Notes whatever, excepting by the Bank of England.

The issue of Notes, as well as of Coins, would then each proceed from one source; both authorized by Government, and both possessing the entire confidence of the nation; for Public Credit is primarily founded on the confidence of the people in the stability of their Government.

Wherever the circulation of Notes may be necessary, the Bank of England, on the application of Country Bankers, or persons who may tender sufficient security, might be supplied with Notes; but there should be one indispensable condition—that a deposit, to a certain amount, should be made in Gold or Silver Bullion.

To the establishment of the Bank of England and its undoubted solidity and integrity, this country is highly indebted, by the means it has afforded of giving full scope to the spirit, talents, and industry of the British Nation. It should be our endeavour to promote its interests, rather than to check or restrain the extension of its operations. The reduction of its profits would paralyze future efforts, and be injurious to the whole community. On the prosperity of the Bank depends the extent and duration of public confidence, whilst it continues independent of, but countenanced by Government.

Paper Credit necessary in carrying on the Trade of the Kingdom.

Paper Credit and Currency is not only highly convenient and useful, but is even absolutely necessary, in carrying on the trade of a great Commercial Kingdom; but, if excessive, contributes to what is called over-trading; that is, rash and inconsiderate speculations, and, what is almost a necessary consequence, unworthy artifices to support the credit of adventurers already ruined, as well as other evils, which tend to corrupt the morals of the trading part of

the community, and to shake the credit on which not only Paper Currency, but the internal Commerce of the Kingdom, depends.

In every Commercial System, Capital is certainly a necessary ingredient; but the prosperity of the British Commerce depends not singly on Capital; it depends still more on the good faith, honour, and punctuality of British Merchants, for which they are so justly celebrated. In a kingdom like Great Britain, the most commercial, and, for its extent, the richest perhaps that ever existed in the world, every branch of Circulating Medium, of whatever it may consist, should be founded on solid, wise, and honest principles. \* These are the sentiments of the late Lord Liverpool; and his Lordship added, that Coins in particular, which are the only true Measure of Property and Instrument of Commerce, and by which any other Circulating Medium must be regulated, should be made and kept as perfect as the nature of the subject will admit.

\* Lord Liverpool's Treatise, p. 229;

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**FIFTH PART.**

**CONCLUSION, WITH SOME SUGGESTIONS FOR FORMING A MORE ACCURATE MONETARY SYSTEM.**

FROM an attentive consideration of these subjects, it appears that the Rise in the Prices of Commodities may, to a certain extent, be attributed to other causes than those detailed in a recent work.\* The high Prices are not owing to scarcity. There has not been a defective harvest since the year 1816, † and in the last six years there have been either full, or average, or nearly average crops, especially of Wheat. Indeed, most things have been more abundant than has been experienced for many years. ‡ Population has no doubt increased, but not in a greater ratio than our means of subsistence, if we consider the great improvements in agricul-

The high Prices attributable to other causes than detailed in a recent work.

\* Mr. Tooke's Details on High and Low Prices.  
† Mr. Joplin's Views on Currency, p. 80.  
‡ Mr. Tooke's Details, p. 4.

ture and manufactures; war has ceased for upwards of ten years to waste our resources; the Public Debts, though slowly, and to no great extent, have been reduced; many Taxes have been abolished or reduced; and, although Commerce has been overstrained by numerous speculations,\* it was not till last year that many articles advanced to extravagant prices, on account of the speculative anticipation of an advance in Prices.

There are but two reasons given by the † late Master of the Mint for the supposition that the debasement of the Silver Coins would not have the effect of raising the Prices of Commodities. Every attempt of the kind in former times was attended with such consequences; but it appears in this instance to have been imagined that, by limiting the tender of Silver to 40s., and by retaining the Coinage in the hands of Government, by which the Profit or Seignorage became part of the Public Revenue, those consequences would be avoided. The limitation of the tender is not only useless but injurious, both to our home trade and foreign commerce. In the one, amongst other inconveniences, it prevents the Public, and especially Bankers, on emergent occasions, from resorting to Payments in Silver, by which they might prevent, and at all events retard, any excessive drain of Monies deposited with them,

The limitation of the tender of Silver injurious.

\* Mr. Tooke's Details, p. 47.  
† Lords Committees' Report, Appendix D. No. 10.

until they could obtain assistance. In the other, it would deprive our Merchants of the means of settling their Balance of Trade with Silver, if Gold should be scarce.

The effect of the debasement intended by Government was, to insure the Coin remaining in Circulation until the price of Standard Silver in the Market should rise beyond 5s. 6d. an ounce.

\* Until such a rise, it was observed, that there could be no inducement to melt the Silver Coin, or sell it as Bullion; and even then it was considered it could not be exchanged for Gold Coin, the limitation in the Silver preventing it; nor could it be collected in large quantities, as the Government keep the supply within certain limits.

The limitation of the Supply of Silver Coins injurious.

As the Mint is for the convenience of the Public, and any profits are part of the Public Revenue, the regulations which deprive the Public of the advantages for which the Mint has been established do not appear to be consistent. Coins must always be of more value than Bullion, before metal will be taken to the Mint to be coined; not only by all the expenses of coining, but by a profit also to the owner of the precious metals.

If the Mint were open to the Public with a very small Seignorage, not amounting to more than the charge of workmanship, which was all that was recommended by the late Lord Liverpool to be taken, Silver would be coined in proportion to the wants of the Public. The superi-

\* Lords Committees' Report, Appendix D. No. 10.

ority of Coins above Bullion would prevent the melting of them, if exportation were allowed; and the proportions between Gold and Silver being properly adjusted, Coin would most probably, in the transactions of Commerce, return to this country; as abroad they would sell for their weight only, but at home would be more valuable as Coin.

As an integer, Gold is admirably calculated to represent the larger proportions of Value, but to consider it the foundation of our Currency is surely incorrect; for Silver being divisible into many more convenient sized pieces than Gold, and a fixed number forming the Integer, or Pound Sterling, which expresses a quantity of Gold as well as Silver, it appears more correct to consider Silver as the foundation; and the history of British Coins proves it to have been so; the first Coins having been made of Silver, when twenty Shillings were a pound weight.

Silver the Foundation of our Currency.

Copper, or any other metal, cannot, as Coins, affect the Currency, as they want those peculiar qualities, which, by the concurrent opinion of civilized nations in all ages, render Gold and Silver the fittest materials for Money. \* The precious metals are perfectly homogeneous in themselves, for no physical difference can be found in any pound of pure Gold or of pure Silver, whether the production of Europe, Asia, Africa, or America.

\* Lord Liverpool's Treatise, p. 9.

Silver less subject to variation in Value than Gold.

It is evident that the precious metals are but commodities obtained under the same contingencies as every other commodity, and requiring labour, and fixed capital, to produce them. Like any other commodity, improvements in the saving of labour might be applied to their production; and consequently they might fall in relative Value to other things, merely on account of the greater facility of producing them.

The Value of Gold and Silver is sustained more exactly than that of any other commodity, on account of their indestructibility. Most things wear and perish within a given time; but the Precious Metals, except such quantities as are used in manufactures, will remain almost in the same state for an indefinite period. That which formed part of the riches of Abraham; that which the Israelites, at the termination of their bondage, spoiled the Egyptians; and that which was used in the building of Solomon's Temple, may probably be in the world in some shape or other at this day.

\* Silver was formerly considered less subject to variation in its value than Gold. For Silver having been distributed in great quantities over all Europe, as well in Coin as in Plate of various sorts, a sudden influx or efflux of it, by a greater or slower production of the mines, would not so soon affect the whole mass. Silver, being of more moderate value than Gold, is certainly best suited for National Money.

\* Harris on Money and Coins, p. 61.

The alteration of the Standard from Silver to Gold has created much confusion. The Integer and its several parts should bear an exact and due proportion of Value to each other; and this is impossible whilst they are made of different materials.\* It was pronounced by a celebrated writer on the subject, "to be a ridiculous and vain attempt to make a Standard Integer of Gold whose parts should be Silver; or to make a motley Standard, part Gold and part Silver. These different materials could not long agree in value; and Silver, being the more common and useful Coin, would regain its ancient place of a *Standard Measurer*."

Gold should be coined, but left to find its own Value.

Yet Gold having every other quality fitting it for Money, excepting its being too expensive, should be used for Coins; but might be left to find its own value, without having any established legal rate, as it does in France, where it usually circulates with an Agio. † The Mint at Paris is open to the Public, and Coins are delivered on demand for bullion, and are legally exportable, by which the difference between the Market and the Mint Price has seldom exceeded one half per cent., as the Mint immediately supplies any deficiency in the Currency, and a free export as speedily relieves that country from any excess.

When Coins are used as the international Media, they are then only valued as bullion, and

Coins should be fabricated in the same Proportions as the Metals bear.

\* Harris on Money and Coins, p. 61.

† Lords Committees' Report, p. 249.

a Bill of Exchange, although expressed in the terms used for a certain number of Coins, is computed in the bullion or pure metal contained in them. It is therefore most essential that the Coins should be fabricated in the same proportions as the metals bear. \* The Romans made their Gold Coin equal to the Greeks, which made the exchanges and currency of their Gold Coins just the same as the Silver, and was of great use in the circulations of trade.

It may be said, that if Money or Coin is desirable in commerce solely as a commodity, bullion will serve equally as well; but, unless the weight and fineness of each quantity be known without the trouble and expense of assaying and weighing, it would be useless except to dealers in bullion. To render the metals generally useful, there must be a stamp affixed, by which all the world may be assured of its quality and quantity; and to enable all to avail themselves of the use of Coin, there must be no other trouble nor expense (except, perhaps, the charge for workmanship) in procuring it, than in purchasing bullion.

An invariable Value in the precious Metals compared with Commodities, of no service.

An invariable Value in the precious metals in comparison with each other might not be so useful as imagined; but, compared with other commodities, it can be of no service. † We do not in any sense measure the relation of Value between

\* Clarke on Coins, p. 137.

† Dissertation on the Nature, Means, and Causes of Value, p. 104.

two commodities by that existing between two other commodities. The capability of expressing the Values of Commodities has nothing to do with the constancy of their values, either to each other, or to the medium employed. In whatever quantity Gold and Silver may be produced, they will still, by their peculiar qualities, enable us to express the Value of other things; and if they were invariable in Value compared to each other, other commodities must of necessity vary in value, when compared with them.

The wisdom of Providence may have so ordained that neither Gold nor Silver can be produced beyond certain quantities. As mankind increases in numbers, it is desirable that the precious metals should be produced in larger quantity; and the increase, indeed, tends to make their Value, as population increases, more equable. It is the attempt to fix their Value which causes the inconveniences from time to time experienced.

It was observed by the late Lord Liverpool \* that Gold and Silver, in reference to each other, are estimated at the Mint at a different Value, or Price, than those metals are generally sold at the Market. As long as the difference subsists, both these metals will not be brought in a sufficient quantity to the Mint to be coined; that metal only will be brought which is estimated at the lowest value with reference to the other; and Coins of both metals cannot be sent

Both Coins should be made LegalTenderto any amount.

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\* Lord Liverpool's Treatise, p. 5.

into circulation at the same time; without exposing the Public to a traffic of one sort of Coin against the other; by which the Traders in Money would make a considerable profit, to the great detriment of his Majesty's subjects."

These are consequences which must occur whilst any other difference is made between Coins and Bullion except the Stamp. It would be as useful and practicable to confine Bullion within this country as Coins; in fact, it was formerly attempted, but the law was repealed on account of the injury to Commerce. If both Coins were made Legal Tenders to any amount, it would be difficult to collect either when the Market Price of the metal exceeds the Mint Price; and whenever an inconvenience was felt from a great demand for one Coin, it might be avoided by offering the other in payment. There would also never be much diminution of the quantity of Coins circulating in the country, as in general the traffic in Coins would only diminish the quantity made of one metal, and proportionally increase that of the other.

Manner in which Agreements for payment of Money should be made.

A Pound Note has been considered by some writers as merely a mere abstract expression, and that like the Metals it passes only as a token of Credit. Coins cannot correctly be called Tokens of Credit as they remain with the holder; but the Notes are certainly such, and must eventually return to the issuer. Notes are promises. Verbal acknowledgments are suf-

ficient between persons of integrity; but with the whole community it would be impossible, even if all could be equally confided in, to pass verbal promises. The promise is, or ought to be, to pay either Gold or Silver in the proportions of 1 to 15 $\frac{1}{2}$ , or whatever might be the correct proportions, or some commodity worth those proportions of the metals.

The abstract idea of the Pound Note, which has been thought far more uniform in Value than any fixed quantity of Gold or Silver, is clearly the comparative Value of the metals, and cannot therefore be more fixed or uniform in Value than the precious metals. It is manifest, however, that Bank Notes may safely circulate under proper restrictions, and well adjusted proportions in the Coins. If payments of Money under leases or agreements for long periods were to be expressed, that so many Pounds Sterling should be received, estimated half in Gold and half in Silver, according to the relative values between the precious metals, there would not be so much inconvenience felt by the alteration in their proportions.

It has been thought that the regulation of the Value of Coins, that is, the nominal Value at which they are to be Legal Tender, is a subject of too much importance to be intrusted at any time to private judgment. \*The late Lord Liverpool conceived it hardly possible that the people in general, particularly those of an inferior class,

The Value of the Coins should be declared, but not fixed.

\* Lord Liverpool's Treatise, p. 16.



should be able to exercise any true judgment on the intrinsic or relative Value of the metals of which any Coins are composed; and if they were to attempt to exercise such judgment, they would be exposed to perpetual frauds and impositions from Money Jobbers and others, who understand this business better than themselves.

That the Public should be more incapable of judging the Value of Coins than of any thing else, appears a very extraordinary assertion. The conjecture might be correct as to Bullion; but it is only necessary that the Public should be assured that the Coins are of a given weight and fineness, and they can have no difficulty in ascertaining what number of Pieces they will give in exchanging one kind of Coin for the other than in exchanging them for commodities. If the relative Values of the Coins are fixed according to the Market proportions, and public declarations be made by Government of their being fabricated in such proportions, what mischief can arise if there should be persons willing to part with their Coins for less than the declared Value?

If Silver falls universally in Value, the Gold Coins should be lessened.

The Value of Gold is estimated by the Pound Sterling, and the fine Silver contained in it is the Measure of that Value; and therefore the quantity of fine Silver in one Pound Sterling, or the number of Pounds Sterling contained in one pound weight of fine Silver, must first be known before the Value of fine Gold can be known. As the Pound Sterling was originally a pound weight of Silver, whatever alterations may be made by dividing

it into a greater number of parts, whilst we continue to declare that twenty parts, or Shillings, are a Pound Sterling, it is attempting to pass a less weight for a larger weight.

Whenever Silver, by an increase of quantity, becomes universally less valuable, compared to Gold, the weight of the Gold Coins should be proportionally lessened; for there cannot be any other mode of adjusting the relative Value, unless a greater number of Shillings than twenty were to be deemed a Pound Sterling, which would create excessive trouble and confusion in all our Accounts. Silver cannot, like Copper or other substances, be made a mere token. It is not easy to eradicate settled ideas. Most classes have fixed ideas annexed to Shillings; and as Silver is more generally used, and forms the divisions of the Pound Sterling, it should be the Standard by which to measure Gold and all other things.

There appears not to be any other remedy than a Recoinage of Silver, by which the proportions to our Gold Coins may be fixed as nearly as possible, 15½ to 1. \* One of the alterations suggested by a Merchant who was examined by the Lords Committees in 1819, which is to take the present Silver Coinage as the basis of our Gold Coinage, and fix the relative Value between Gold and Silver as 1 to 15 or 16, and then establish the same Seignorage on the Gold

A Recoinage of Silver, according to the Market proportions in Europe, the only proper remedy.

\* The Letters of Daniel Hardcastle to the Editor of the Times Journal, by Richard Page, p. 24.

Coin as upon the Silver, would permanently fix the Prices of every thing  $9\frac{1}{2}$  per cent. higher than formerly, and thus most seriously injure all persons having fixed incomes, or deriving their income from subsisting Grants or Leases.

Another remedy proposed by that Gentleman is, to make Silver the Standard, by which Gold, whether in Coin or Bullion, becomes Merchandize. This was Mr. Locke's suggestion. A third remedy proposed by him is to reform the late Coinage, and issue Coins in the proportion of 1 to 16; but as this proportion would exceed that in the French Coins, which is considered very accurate, and may be reckoned the Market proportion of Europe, we should then lose our Silver Coins; \*for Mr. Locke has observed that if you should by a law set the Value of Gold above its Par, the people would part with their Silver at an under-value; and if you raise your Silver, you debase your Gold, (for they are in the condition of two things put in opposite scales,—as much as the one rises, the other falls,) and then your Gold will be carried away with so much clear loss to the kingdom, as you raise Silver and debase Gold by your law below the natural Value.

The occasional fluctuations in the Market Price of Gold and Silver Bullion arise from the same causes as the like fluctuations in that of all other commodities. † But Dr. Adam Smith has re-

The Prices of Gold and Silver Bullion mark the Debasement of Coins.

\* Of raising our Coin, p. 164.

† Wealth of Nations, vol. i.

marked that, when, under all these fluctuations, the Market Price either of Gold or Silver Bullion continues for several years together steadily and constantly either more or less above, or more or less below, the Mint Price,—we may be assured that this steady and constant either superiority or inferiority of Price is the effect of something in the state of the Coin, which at that time renders a certain quantity of Coin either of more value, or of less value, than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause. Since the resumption of Cash Payments, the Prices of Gold and Silver bullion have always been under the Mint Price. Gold has been generally at 3*l.* 17*s.* 6*d.* an ounce, and Silver at 4*s.* 11½*d.* an ounce. The intrinsic Value of an ounce of Silver Coin is 4*s.* 10*d.*, being 4*d.* an ounce less than before the debasement. The Mint Price is 5*s.* 2*d.* an ounce; but the difference by the debasement has lowered the Value of Silver Bullion; and as Gold Bullion bears a certain proportion to Silver, both fall together, though not always, in equal proportion.

It was remarked by the Bullion Committee, \* that the rise in the Market price of Silver in this country, which had nearly corresponded to that of the Market price of Gold, could not in any degree be ascribed to a scarcity of Silver. In fact,

\* Bullion Report, p. 4.

both, as compared to other things, rise or fall together. Probably the price of Silver has not fallen so low as the intrinsic Value of an Ounce of Coins, on account of the limited market for Silver Bullion in this country, as no one would ever have taken Silver to be coined, whilst the Seignorage of  $6\frac{1}{2}$  per cent. is deducted, even if Government had not retained the Coinage in their hands. The Act of Parliament allows the Public to take Silver to the Mint; but the Government have thought proper to keep the Coinage in their own hands,—and with good reason.

Our Merchants have long complained of the lowness of their profits; and if these opinions are correct, the cause will sufficiently account for their losses. At all events, it is the duty of every member of society to contribute, so far as he has ability, in endeavouring to dispel the gloom which now hangs over us. The difficulty is in ascertaining truly the cause of our evils; when once discovered, and the proper remedy applied, the spirit and industry of the British Nation will soon restore her Commerce.

The average rate of Profit is the real barometer, the true and infallible criterion, of national prosperity. \* “A rise of Profits is the effect of industry having become more productive; and it shows that the power of the society to amass Capital, and to add to its wealth and population, has been increased, and its progress accelerated:

\* Mr. M'Culloch's Pol. Econ. p. 109.

Effects of a  
low rate of  
Profit in the  
Nation.

a fall of Profits, on the contrary, is the effect of industry having become less productive, and shows that the power to amass Capital has been diminished, and that the progress of the society has been clogged and impeded. However much a particular, and it may be an important branch of industry, is depressed, still, if the average rate of Profit is high, we may be assured the particular depression cannot continue, and that the condition of the country is really prosperous. On the other hand, though there should be no distress in any one branch—though agriculture, manufactures, and commerce, should be carried to a greater extent than they have ever been carried before—though a nation should have numerous, powerful, and well-appointed armies and fleets, and though the style of living among the higher classes should be more than ordinarily sumptuous, still if the rate of Profit has become comparatively low, we may confidently affirm that the condition of such a nation, however prosperous in appearance, is bad and unsound at bottom; that the plague of poverty is secretly creeping on the mass of her citizens; that the foundations of her power and greatness have been shaken; and that her decline may be confidently anticipated, unless measures can be devised for relieving the pressure on the national resources, by adding to the productiveness of industry, and consequently to the rate of Profit.”

The first paragraph of the late Lord Liverpool's

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Treatise will most aptly express the Author's sentiments, by a slight alteration, and grace the conclusion of this humble effort to aid our Council in raising the country from this temporary depression to the highest elevation, but which can only be sustained, by an adherence to true principles.

Extract of late Lord Liverpool's Treatise, expressive of the Author's sentiments.

“ It is a part of the Royal functions to attend to the state of the Coins of the Realm, and to cause every defect to be removed which mistaken policy has introduced, or the waste of time may have wrought in them. It is also his Majesty's earnest wish and inclination, on this and on every other occasion, to consult the convenience, and provide for the interests of the people. For these reasons, the Author has thought it his duty to address to the Public a work which has for its object to explain and elucidate the true Principles of Coinage, to point out the errors committed in this respect under the authority of his Majesty's Royal Predecessor, and to suggest the best methods of preventing such Evils for the future.”

THE END.

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