A LETTER

TO THE

EARL OF LIVERPOOL,

ON THE

REPORTS OF THE COMMITTEES

OF THE TWO

HOUSES OF PARLIAMENT,

ON THE

QUESTIONS

OF THE

BANK RESTRICTION ACT.

BY

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PRINTED AND SOLD BY R. WRIGHTSON, AND SOLD ALSO BY J. RIDGWAY, PICCADILLY, LONDON.

1819.

TO THE

EARL OF LIVERPOOL.

MY LORD,

I have read with the deepest concern the Reports from the Secret Committees of the two Houses of Parliament, on the questions of the Bank Restriction Act. Your Lordship will perhaps excuse the liberty which I take in obtruding this letter upon your attention. It is not that I am desirous of bringing my humble opinions among your Lordship's weighty avocations, but it is, that I know and deeply feel that the prosperity of my countrymen and the very existence of my country, is most seriously compromised by the Reports in question. Having this rooted conviction in my mind, a conviction which I find confirmed by facts and observations, and by every thing which I see and hear, I am truly anxious not to omit any exertions on my

part, which may hold out to my mind the slightest hope of arresting the fatal results which I anticipate.

My Lord, In the beginning of the Lords' Report, it is stated that "the Committee think it right "to premise, that in this investigation they have "taken as their guide, the decided opinion of "Parliament, as declared by many repeated en-"actments, that the removal of the Restriction "upon Cash Payments by the Bank, or in other "words, the restoration of the currency of the "Country to a state of regulation by its ancient "metalic standard, is an object, which ought to "be accomplished, at as early a period as shall "be found safe and practicable."

And in the Commons' Report, at page 14, it is also stated that "the Committee abstains from "entering more at large into this important topic, "from a consideration that the Legislature has on "various occasions expressed its opinion on the "policy of re-establishing the metalic standard of "value, and that the duty which it has devolved "upon the Committee, is no other than that of "considering, at what period, and by what means, "that great object can be best effected."

My Lord, Here is the rock on which the national happiness is to be wrecked. Here is the fatal error

from which all our dangers and all our sufferings proceed. When Parliament first passed the Restriction Act, this "*opinion*" was probably correct, but circumstances have since changed, whilst succeeding Parliaments have still followed the same opinion, and neglected to change with the change of things. When the Bank Restriction Act was first passed, there was no difficulty or injustice in restoring the old metalic standard, and it was probably advisable to do so; because if done in the course of a year or two, or other short period, it would have prevented the breaking up of the old system of prices under which all the debts and engagements of the country had been formed; and would have arrested all the misery, and injustice and distress which such a change must have occasioned in all the monied interests of the country. But when the Bank Restriction Act had had time to break up the old monied relations of society, and to establish new ones, upon which all the new debts, and obligations, and establishments of society have been formed, then it became evidently, both unjust, impolitic and ruinous in Parliament to attempt to restore a standard which had no longer any reference to the transactions of life. What was correct in the first instance became incorrect, afterwards; but the progress of this change was not noticed by Parliament, which continued from time to time to adopt the same "*opinion*," although the circumstances upon which that "*opinion*" was grounded, had

long since passed away. "Time" says Lord Bacon, "is the greatest innovator, and if time changeth "things for the worse, and wisdom and council "alter them not for the better, what shall be the "end.?" My Lord, in this respect the British Parliament has overlooked the innovations of time. Time had accomodated all the transactions of life to the new relations which the Restriction Act had established between capital and labour, and between property and money. Debts and obligations, wages and taxes all had been formed under those new relations. It was thus that the principle upon which Parliament had intended to act, became antiquated by the progress of things, and when time had thus rendered the old standard of currency no longer equal to the duty of measuring and regulating the transactions of life,—when "time had thus changed things for the worse," Parliament neglected "the wisdom and the coun-"cil which should have altered them for the "better." "They neglected to adopt new rem-"edies, and they found new evils to arise."

My Lord, the Committees report, in fact, that the present circulation of Bank notes must be diminished, in order to raise the value of such as remain in circulation, and enable them to be exchangeable for Coins, of the old standard quality and price. I presume to tell your Lordship that the present circulation of Bank Notes

cannot be diminished, but that it must be encreased, or the country will quickly be plunged into all the sufferings and dangers of 1816, aggravated a hundred fold.

The Committees report, in substance, that the wants and modes and means of man must be cut down, in order to force them into an arbitrary conformity with a standard which the progress of things has antiquated, a standard which for twenty years has had no reference to the practice of life, and none to the debts and obligations of the country, or of individuals, or to the practical action of that system through which labour is interchanged with capital, and property with money. I presume to tell your Lordship that the restoration of this old standard is utterly impracticable.

Your Lordship knows that in the last thirty years money has depreciated Cent per Cent, that is to say a given sum will now only command one half of the quantity of property which it would command in 1791. But whilst money has thus depreciated cent per cent, as compared with labour and property generally, yet as compared with Bullion, it has probably only depreciated twenty per cent, and as compared with iron, copper, and some other articles, it has literally risen in value. But this depreciation, whatever it may generally be, has regulated all the transactions of living men. Eight hundred

millions of National Debt have been contracted under it. The great bulk of all private debts and mortgages have been contracted under it. The leases of land, the wages of labour, and all the obligations and transactions of society have been regulated upon it. Inconvenience and distress have been the consequence of the change to many. Annuitants, and money-holders, and creditors have been sacrificed to leaseholders, mortgagers, and debtors. But the country has prospered; the dead and stagnant interests have been sacrificed to the active and vital interests, but the principles of production and of national wealth have not been arrested; they have been stimulated and strengthened; for the greater became the depreciation of money, the greater became the the energies of productive power.

How different from this is the counterchange which the Committees now propose to establish. They propose to deprive industry of its reward and labour of its bread. They propose to reduce the circulation, and to break up that system of prices under which alone it is possible for production or consumption to be carried on. Instead of stimulating productive power, instead of expanding the circulation to a level with the labour, of which it is the measure and the balance, they would cut down the labour to a level with the circulation, and lay prostrate all the living energies of the

country at the feet of the monied interest. Under the pretence of "abiding in the ancient ways," and of avoiding change, the Committees would embark in a new and unknown course, and would forcibly introduce a most fatal change,—a change which breaks up the system under which all the monied obligations of society have been formed, which establishes new relations between capital and labour, and between property and money, which sacrifices the vital and the active to the dead and stagnant interests of the country, and which arresting the means and the motives which conduce to the employment of labour, cuts up on the one hand, the foundations of the national wealth, and on the other, prepares the plentiful materials of those explosions which threaten the very existence of society.

It is probable that the reduction of the prices of property, which must be the consequence of this *counterchange*, although acting upon Bullion to the amount of only ten or twenty per cent, will act upon property generally to the amount of at least fifty per cent; because we have seen that the prices of property have risen in that proportion, during the last thirty years; that is to say, the general prices of the year 1791 have advanced cent per cent, and to go back to those prices is to occasion a reduction of fifty per cent in the present prices. In fact, that such will be the effect of the

restoration of the old standard, that the recovery of the old standard and old prices of Bullion, will occasion the recovery of the old prices of property, we may readily conclude, because, otherwise, we shall be reduced to the necessity of acknowledging that Bullion itself has depreciated, when compared with property, in the last thirty years; that an ounce weight of gold will not purchase more than one-half or two-thirds of the property which it would purchase thirty years ago, and when we consider that the production of Bullion has been diminished, and that of property greatly encreased, in the last thirty years, this is certainly not a very probable alternative.

In the years 1815 and 1816 we actually saw an equivalent depression of prices take place. Then the prices of Bullion were reduced ten or twenty per cent; but the prices of property generally were reduced full fifty per cent, because the holders of property were more generally distressed than the holders of Bullion, and being forced into the markets by the necessity of obtaining money, when money was not to be had, they were obliged to consent to ruinous sacrifices in order to obtain it. The depression of Bullion was also arrested by that universal estimation which gives it at all times the facility of foreign markets, and by the strong hand of the law which upholds it at £3 17*s*. 10½*d*. to the ounce

of gold. But the depression of property generally may safely be assumed as full fifty per cent in the year 1816. From that depression, and from its long train of fatal consequences, the country was but lately rapidly recovering. It is now but too rapidly and too surely hastening again into the same state. My Lord, if this should be the consequence of the counterchange, which certainly experience and present appearances justify us in expecting it will, if in reducing the prices of Bullion ten or twenty per cent, we should act in reducing the prices of property full fifty per cent, your Lordship will readily perceive how fatal will be the action of this depression upon the national prosperity and happiness. The burthen of the National Debt, and of all the taxes and duties which support it, becomes literally *doubled* in real pressure, and in real value. Eight hundred millions becomes a doubled burthen of sixteen hundred millions upon the national strength, and all the private debts and incumbrances of the country become doubled in the same degree. All the public and private debts of the country are required to be repaid or supported in just a doubled amount of that real value which was ever advanced, or received, or expected to be repaid by any of the parties concerned. Considered in this light, the National Debt does indeed become a millstone about the neck of England; for whilst its real weight becomes suddenly and most unjustly dou-

bled, the national energies become crippled in the very same degree. Let the National Debt be considered in relation to the real property which it has covered, and let the national energies be unimpaired, and it becomes a mere trifle; but let it command a doubled amount of real property, and let the productive energies of the country be crippled at the same time, and the National Debt presses upon the nation with at least a quadrupled burthen. I will not enlarge upon this part of the subject. It is sufficiently evident that if the National Debt is ever repaid at all, it can only be so under the new standard, which has been practically in force for twenty years, in the same ratio of prices under which it was contracted.

The Committees speak of the great benefits which will arise from the restoration of the old metalic standard of the year 1797, but they avoid pointing out in what those benefits consist. I deny, utterly, their existence; the whole is an unmingled cup of bitterness. Why not as well go back to the standard of 1397 as of 1797? They have both equal reference to the wants of life, and to the calculations and habits of the human mind, and if one is "*beneficial*," the other must be far more so; for in the former period, the pound sterling in currency commanded about a pound weight of silver, whereas in the latter, it commanded not quite a third of that weight. If we *must* measure "*benefits*" by the *re-appreciation* of money, we had better go

back to the "*good old times*," when money commanded quadruple the property which it commanded in 1797. We shall then find out that the *cheapness of property* which is occasioned by the *dearness of money*, is not a "*benefit*," but one of the heaviest afflictions that can fall upon a country.

I would ask the Committees where is this ideal "*benefit*," which the nation is to enjoy? Is it in the employment of labour? Is it in the encrease of productive power? Is it in the harmonious interchange of capital with labour, and of property with money? If not, where is it? What branch of industry is to be benefited? What trade or occupation can flourish during the action of a depression of prices? And when that depression is effected, when the old standard is restored, why should trade flourish more upon one standard than upon another? I will presume to tell your Lordship, that if the old standard *is* restored, there is no trade that can prosper in England, but that of blood!

It is indeed possible that considerable benefit may arise from the ascertaining and fixing of some new standard which has in point of fact regulated the transactions of the last thirty years, because the fixing of such new standard may tend to counteract the fatal fluctuations in prices, to which the Country has latterly been exposed,

But to restore the old standard, which has had no reference to any of the transactions of living men, is to break up the whole machinery through which all those transactions have been regulated, and to carry change and confusion into every branch of trade and of industry, until all the extended relations of society shall have been beaten down into an arbitrary conformity with such old standard. It is to break up all the high roads of communication through which property is interchanged with money, and capital with labour. It is in short, to interfere with all the calculations and the habits to which the human mind has been accustomed, and through which it is competent to act. After all this ruin and anarchy shall have been incurred, provided social order should continue to exist, it is true that the business of society would be again transacted upon the old standard, quite as well as it is, and may be, upon the new one, but not better; because all the benefit which the country can derive from either, is the preventing of fluctuations of prices, and the full employment of labour, with the full developement of productive power. It must be evident to your Lordship, that these great ends of a standard are far more easy of attainment under the new than under the old standard; because the former falls in with all the transactions and obligations of society, and presents at once to our hands all the elements of national prosperity and security;

whereas we can only arrive at the latter, through scenes of mourning, and distress, and of danger, anarchy and despair. In the one case, we are moving upon sure and beaten grounds; in the other, we are leaping into a gulph whose depth no human eye can fathom. For these reasons, my Lord, I venture to suggest to your Lordship, the propriety of renewing the Bank Restriction Act, for five or seven years certain, in order that general confidence may be restored, and a full developement be given to the employment of labour, and the action of production and consumption. After awhile, when it shall be seen that every honest labourer in the kingdom is fully employed, and that every branch of trade and of agriculture is in a state of full prosperity, then it will be time enough for us to consider of, and ascertain our metalic standard; but at present, if we move we can but move in darkness, and in doubt. We have no means of deciding under what range of the prices of Bullion, the employment of labour can be restored and preserved. Let us therefore wait until we see all labour in full and beneficial employment, and all the principles of national prosperity in full and harmonious action, before we presume to decide under what range of the prices of Bullion these great interests can be preserved. Let us wait until we see what prices Bullion may assume, and then let us accommodate our coinage to those prices, and we shall then obtain a metalic

standard, without the possibility of risking the happiness of the country. We shall have to diminish or alloy the size or quality of our sovereigns and shillings, in conformity with such prices of Bullion as will have become fixed and understood. Probably an ounce of standard gold will be to be coined into £4 10*s.* of sovereigns, and an ounce of standard silver into six shillings of coin. But whatever diminution or alloy the prices of Bullion may require, it is but of little consequence for us now to consider, because such prices are sure to be conformable to the national interest. They cannot exceed what the national interest requires, without such excess being visible in producing a greater demand for labour in the markets than the supply of labour can meet, and against this contingency, which we have never yet seen, the discretion and interest of the Bank Directors is a sufficient guard.

By these means we shall expand our coinage into a level with the practical currency of the country. We shall bring our golden sovereign and our silver shilling into a conformity with our ideal pound sterling of account, and with our ideal shilling of account. In short, we shall bring the legal or theoretical parts of our monetary system, into conformity with that practical currency under which all the transactions, and all the establishments and engagements of the present generation

have been formed. We shall obtain a real metalic standard, which will give to the national creditor, and to all other creditors, the same real weight of Bullion as they have really advanced to the country or to individuals, at the same time that it will preserve the integrity of the present system, and present the obstacle of a convertible circulation to any further depreciation of money.

If we should thus renew the Bank Restriction Act for five or seven years certain, it would be proper about two years before its expiration, to ascertain the market prices of Bullion, and create a new coinage according to those prices, and then to commence the payment in specie, by leaving the bank to issue such new coins at its discretion, according as the public might require them. But they should be issued at the will of the bank, for one or two years before the expiration of the Restriction Act should render them issuable at the will of the public, and thus the mind of the public would be accustomed to them, and glutted with them, and when the Restriction Act expired, it would make no difference whatever in the circulation. In fact, it would not be known whether it expired or not. When we came to form such new coinage, we should perhaps find that the prices of gold and silver would be risen so much as to render fifteen shillings worth of Gold, at the old standard, equal to twenty shillings worth of gold at such new prices, and nine penny-worth of silver at the old

standard, equal to one shilling worth of silver at the new prices; and therefore we should have to coin only fifteen shillings worth of gold at the old standard, or twenty shillings worth at the new prices, into a sovereign passing current by law for twenty shillings, and also nine penny-worth of silver at the old standard, or twelve penny-worth of silver at the new prices, into a shilling passing current by law for a shilling, and thus we should obtain sovereigns and shillings for our metalic standard, bearing just the same proportions to each other as they do now, or such other as may be deemed more correct; but such new sovereigns and shillings would be accommodated to the market prices of Bullion, and to the practical currency of the country, which our present sovereigns and shillings are not. We should have no occasion to alter the copper coins at all, for they are sufficiently small to circulate under the range of any probable diminution or alloy of the Bullion coins; a ton of copper, worth only £110, according to the market prices of copper, being now coined into pence and halfpence, passing current by law for £240 sterling. We have therefore sufficient room if necessary, to make nine penny-worth of silver at the old standard, pass current by law for eighteen pence of the present copper coins of the realm, without running much risk of having these latter melted or exported, because they would still be worth more as coins than as copper.

I will solicit your Lordship's attention a little longer. It is thought by many, and those sometimes sensible men, that if we raise the prices of our coins, into conformity with the prices of Bullion, or if we produce that conformity by diminishing or alloying our coins, we shall not get nearer the object which we have in view, but that we shall only be pushing up still higher the prices of Bullion, which will gradually rise as we advance in depreciating our coins, and mock all our efforts to bring gold into contact with paper. This is a false and fatal error. It arises from confounding the money of account with the present coinage money of the Country. Suppose an ounce of Gold is now worth £4 10s. in the money of account, in the ideal pound sterling or circulating currency of the country. It is nevertheless worth only £3 17s. 10½d. in the old coins of the realm. Now to diminish the weight of these coins, or to raise their prices or denominative value, so as to bring them into conformity with the money of account, will evidently tend in no way to raise the prices of Bullion. It can only raise the legal prices of the present coins, which become lawfully worth £4 10s. to the ounce weight, instead of being worth only £3 17s. 10½d. But no difference is made in the worth of the ounce weight of Gold. It only covers the same amount of coins as it does of currency, or money of account, and cannot itself rise further in its price from the effects of this measure, because

it is not the currency or money of account which is encreased, but the coins which are expanded to a level with the currency, to a level with that command over currency which in their capacity as Bullion, they already possess. For this reason, it is not possible for an alteration of the coins to carry with it an advance in the prices of Bullion, unless such alteration is carried farther than the current prices of Bullion may require. To expand the coins *beyond the market prices of Bullion*, is certainly to raise the prices of Bullion, and to encrease the depreciation of money, but to bring up the coins to a level with the currency, and with the market prices of Bullion, is to make no alteration whatever in those prices, and none in the general currency of the country.

The Gentlemen who hold the opinion above alluded to, contend, that if we allow a seignorage of one shilling in the pound in coining the Sovereign, that is to say, if we coin nineteen shillings worth of Gold at the old standard price into twenty shillings worth of coins, we shall not obtain the payment in specie then, because when our Sovereigns are only worth nineteen shillings instead of twenty shillings, a greater amount of them will be required to purchase an ounce of Gold, which will necessarily rise in price, as fast as we depreciate the instruments, against which it is measured. This opinion arises from the same confusion of ideas, in not distinguishing between the ideal pound ster-

ling of account, against which the market price of Bullion is measured in the markets, and the real pound sterling of Gold called a Sovereign, against which the market price of Gold is not measured, but only the Mint price. These Gentlemen say, Gold is already worth £4 per ounce, and if we depreciate the Coins, it will of course be worth so much more per ounce. This is an error. It is not in Coins that Gold is worth £4 per ounce, but in the currency or ideal pound sterling of the Country. The ounce of Gold is only worth £3 17s. 10½d. in Coins, and therefore the raising of the legal price of those Coins, or the depreciation of their size or quality to a level with the market price of Bullion, has no tendency to raise such market price. It is only when the depreciation of the Coins is pushed beyond the market prices of Bullion, that such depreciation can tend to raise those market prices, and not whilst it is confined within the limits of such market prices. Suppose the market price of Gold is such as to make the Sovereign worth twenty-one shillings in Currency or in the ideal pound sterling of account, this same Sovereign is yet worth only twenty shillings in Gold or Silver Coins of the old standard; and therefore, if we take one shilling from such Sovereign by way of seignorage, we render it worth only twenty shillings of currency, and only nineteen shillings in such gold or silver coins, but the progress of this seignorage has no tendency to raise the market

prices of Bullion; it only raises the mint price to a level with the market price; it makes an ounce of Gold worth as much in Coins as in the currency, market price, or ideal pound sterling of the Country. Because the old Coinage is thus depreciated, the price of Gold is not therefore raised, unless such depreciation is pushed farther than the market price of Gold requires. It is not against the old Coinage, but against the ideal pound sterling or currency, that the market price of Bullion is measured, when it exceeds the legal price of Coins, and therefore when we depreciate the size or quality, or raise the legal prices of our Coins, we do not raise the market prices of Bullion, we only accommodate the legal prices of our Coins, to those market prices of Bullion, and when we have accomplished this, if we choose to adopt the payment in specie, we have just the same security against what is called an excess of Paper, under that new standard which modern prices of Bullion require, as we had formerly under the old standard which the old prices of Bullion formerly required. The obscurity and abstract nature of these questions, render it difficult to convey clear ideas by means of words, which, I hope, will be my apology, if I am found tediously prolix.

After the Bank Restriction Act should have been continued for five years certain, we should probably find that such prices of Bullion would

have become established as would render it adviseable to reduce the present coins one fourth in their weight. We should have to coin the present sovereign into a sovereign and a quarter, and the present silver shilling into one shilling and three pence; that is to say, we should have to coin nine pence of the present silver money into a shilling, and fifteen shillings of the present gold money into a sovereign of twenty shillings, and thus we should obtain a conformity between the money of account and the coinage of the country, but the price of Bullion could not rise any further, because the payment in specie which would be then established, would present the same checque upon the issue of paper, as was presented prior to the Year 1797.

Ten millions of bank notes circulated at par with gold, at the old standard, prior to 1797. If we adopt a new standard, conformable to the new prices which the wants of the last thirty years have established, we shall find that thirty millions of bank notes will circulate at par with Gold upon such new standard, with the same ease and steadiness with which ten millions formerly circulated upon the old standard. And thirty millions of bank notes, or of coins, or other instruments possessing similar legal powers, is certainly not a greater circulation than the increased trade and population, and the real wants of the country require.

The Committees speak of the rise in the prices of Bullion as attributable to an "*excess*" of the paper currency. There is no doubt that the paper currency has assisted in such rise of prices, but how can it be said to be in "*excess*," unless it has been more than the wants of the country and the employment of labour required? Are human wants to be our guide in judging of this *excess*, or is the price of Bullion to be our guide? If the latter, what then occasion have we had for the Bank Restriction Act? The only object of that Act was to enable us to issue such a quantity of bank notes, as would necessarily raise Bullion above the mint prices, and thereby occasion a demand upon the bank without such Restriction. If therefore the mint prices of Bullion were to be our guide in judging of an "excess" of bank notes, we have had no occasion for the Bank Restriction Act; because by taking those prices for its guide, the bank could itself have regulated its circulation, so as always to have kept its paper on a par with Gold, and have prevented the possibility of any evil or inconvenience arising from the want of a Restriction Act. It is human wants therefore that must be our guide in judging whether or not there has been an "*excess*" of paper currency, and when we come to this practical common sense way of judging, we immediately find that there has been no excess at all, for we have never yet seen the time when the money in the markets has overbalanced the labour. But we now

see the time when the labour very much overbalances the money, and therefore the money must be encreased, or labour must fall, and with it must fall all the happiness, and all the peace and security of the country.

The Committees speak of the great quantities of Gold which the Bank must accumulate before it resumes the payment in specie. They seem to forget that the public will refuse to receive Gold from the Bank, unless they can make a profit in receiving it, and in that case it necessarily goes out of the Country, or is melted as fast as it is issued. In the year 1817, the public were offered millions of Guineas and Sovereigns, but they universally refused to receive either, until the price of Gold rose so as to give a profit in melting or exporting them, and then of course when a premium was thus given in favour of Gold, the public no longer refused to receive it.

It is therefore clear, that no large stock of Gold is necessary in order to enable the Bank to pay in specie, for no Gold is required by the public, when Gold is *at par* with paper, and it is like pouring water into a vessel without a bottom, to attempt to supply the public with Gold at a time when Gold is at a premium above paper. All that is necessary to be done, is to accommodate the Coins to the circulation, to the new state of prices which has be-

come current during the last thirty years, and then there is no difficulty in the payment in specie, and but little or no stock of Gold required to effect it. The Committees may be assured, that if any considerable stock of Gold is necessary to effect the payment in specie, it will be quite useless to attempt it, for nothing will ever make the public desire or receive specie again, but the profit which they can make in melting or exporting it.

If your Lordship should not approve the renewal of the Bank Restriction Act for five or seven years certain, I beg leave to suggest the propriety of allowing the Bank to pay in Bullion at the *market price*, instead of the *mint price*, until such time as the price of Gold shall rise to £4 10s. per ounce, and of then obligating it to pay Bullion at £4 10s. so as to furnish a real metalic standard, beyond which the depreciation of money cannot be carried. By this measure, I think we have reason to believe, that the prejudice in favour of Bullion may be conciliated with the National Interest, and that the full employment of labour, and the full prosperity of the Country may be restored, without occasioning any shock in the circulating system, and without hardship or injustice upon any class of the Community. There may indeed be a few old persons who are yet holders of debts contracted in gold at the old standard, prior to the year 1797, and these persons receiving payment of such debts at £4 10s. per ounce, instead of £3 17s. 10½d. would receive certainly a less real weight of Gold than they advanced, but they would receive just the same quantity of money; all the difference would be, that their money would be depreciated, but then their property would be enhanced by the same circumstances, which, during the last twenty years have depreciated their money, and therefore as most of them must also be holders of property, they would be probably as much benefited as injured. It must also be considered, that such an alteration of the standard which circumstances have made and required, and which is not effected by the legislature for the purpose of paying less gold than was really due, but is merely adopted as conformable to the national interests, to which all private interests must bend; it must be considered, that such an alteration as this, is not an injustice, although, it is perhaps, an hardship to those exposed to it. The national currency is the creature of the national interests, and parliament, as the legitimate guardian of those interests, is bound by its duty to make such alterations in the currency, as those interests may from time to time require, and then, if any private interests should be injured by such alterations; it is for parliament to consider, whether or not it will allow them a compensation. If parliament should think proper, all the debts contracted prior to 1797, might be made payable at the old standard of

£3 17s. 10½d. instead of £4 10s. Such an obligation would not be felt by the parties exposed to it; because the prices of property, and the productive energies of the country, would be preserved. The action of the old standard would be confined to a very small circle, and would have no effect upon the great interests of the country, and therefore the parties exposed to it would be but little affected by it; for it is in the arresting of production and consumption, that the great evil of a recurrence to the old standard consists, and not in the abstract encrease of the weight of debts, which is but a comparative trifle.

I cannot but be of opinion, that no less price than £4 10s. to the ounce of gold, will cover a sufficient quantity of currency to restore and keep up the full prosperity of the country. In the last year, the price was £4 3s. and would probably have been much higher, if it had not been kept down by the expectation of the repeal of the Restriction Act, and of the consequent influx of the bank hoards into the market; and yet we did not then see that there was too much money in the country. The money markets of London were indeed glutted with money, but the farmers, and manufacturers, and merchants, and shopkeepers, and landlords were not so. Among them money was not even sufficiently plentiful, which was proved by the great numbers of labourers which even then

remained out of employment. The money markets of London are occupied by a set of bankers and brokers, and of antiquated and retired capitalists, whose means of giving action to money are very limited. They buy in and out of the funds, and discount bills, and buy exchequer bills, and such kinds of securities, backwards and forwards, until such securities rise in price, far beyond the proportion which the general state of the currency would require. When such kinds of persons find their exchequer bills and other securities, suddenly turned into bank notes, it is therefore a long time before such bank notes find their natural action upon the general prosperity of the Country, and during this period the money markets are glutted with money, whilst agriculture, manufactures, and commerce, are suffering from the want of it. It is reasonable therefore to believe, that when the expectation of the repeal of the Bank Restriction Act is removed, an encrease of bank notes, sufficient to cover the labour and prosperity of the country, will raise the price of gold beyond £4 3s. per ounce, and therefore the national interests will not be secure, unless we assume a higher standard: I think that parliament will not be justified in assuming a lower standard than £4 10s. and when such great interests are at stake, if there is any chance of error, it is better to be certain that we err on the right side.

I will say no more upon this part of the subject,

nor will I enter into the questions of foreign trade, and exchanges, and markets, and population, and competing with Foreigners by low prices. All these delusions I have endeavoured to expose before. Foreign trade and exchanges are the mere creatures of the national convenience, and to that convenience they will be certain to accommodate themselves, just as well upon one standard as upon another. But I will confine myself to the Reports of the Committees, and will bring my letter to a close as soon as I can.

I have stated, my Lord, that the present circulation of bank notes cannot be diminished, but that it *must* be encreased. Four millions have been withdrawn from circulation in the last twelve months, and already the consequences are felt in the remotest corner of the country. The prices of foreign produce have fallen fifty per cent, which of course, arrests all foreign imports, and thus the ground is taken, as it were from under the feet of the foreign trade.* Almost every branch of the

* It is true that this destruction of trade has a tendency to throw the Exchanges *in our favour*, as it is called, for a short time. For when the importation of all foreign produce is attended with great loss, it is clear that importations of Bullion will take place, which at the worst can only be attended with some moderate and defined loss. But such importation of Bullion is a mere temporary consequence of the contractive action upon British currency, and it subsides and probably re-exports itself again as soon as ever such contractive action has subsided. For when foreign nations can no longer sell us their produce at a good price, or perhaps any price at all they can no longer take from us our exports; or if they do, they only pay us a correspondently reduced price for them, or perhaps no price at all, and thus the exports and imports are quickly equalized in mutual reduction, and a balance of Bullion is no longer imported, but such balance is probably again exported, because the export of all British goods being in its turn attended with great loss or ruin, the merchants having payments to make for foreign imports, are induced to make them in Bullion, the remittance of which is effected with only a small and defined loss. It is in vain therefore to act upon our currency with the view of forcing importations of Bullion. Such actions occasion an import to day and an export to-morrow. We need give ourselves no trouble about Bullion. If we wish to have it, we have only to remove the old maximum, and adopt a *new one* more suited to present prices and we shall find abundance of it.

home trade is in a state of total stagnation. The merchants and factors, who only six months ago, returned from their journies with abundant orders and with a tolerable payment of their debts, now return with scarce any orders at all, and bring perhaps, two shillings in the pound of the debts which they ought to have collected. They come to their homes, not animated by hope and industry to give bread to the labourers, and life and energy to the whole social system, but they come oppressed with despondency and care. Each individual is seeking to contract his establishments, in order to meet his monied engagements. His efforts are in vain. The whole country is acting upon a similar principle, and the consequence is, that his

object recedes before him as he advances. But under this contractive action, the national prosperity is destroyed. The producing labourers that are discharged from every single trade, become non-consumers in all other trades, to just an equal amount. And thus no trade is relieved by the discharge of labourers, but the evil acts and re-acts upon its own elements, until life perishes under its action. Difficulties and losses accumulate on every side. All adventurers, and all the bolder capitalists, who trade largely on the credit of their capital, find the ground trembling under their feet; and all the prudent and severer capitalists are retiring, as it were, within themselves, in order to await with more security the coming storm. My Lord, this is a state of things that will not last long. The mechanics and labourers are every where again beginning to be discharged. They leave their situations, not as in 1816, with some degree of comfort and hope, but with rage, and alienation, and despair. The jacobins are every where lifting up their heads, and every where the materials of inflammation are under their feet.

Your Lordship knows, that it was not the Habeas Corpus Suspension Act which arrested the approaching anarchy of 1816. That measure might be proper and useful in checking the motions of a few agitators, but it had no effect whatever in removing the causes to which those agitators owed

their power to agitate. It was the abundant issue of bank notes which saved the country then, and which must save the country now, or it will not be saved. That issue restored the employment of labour, and the bread of labourers. The money was encreased, so as to balance the labour, and labour again became the strength and the wealth of the nation. The materials of inflammation were removed. The lies and calumnies of the jacobins were no longer heard, or if they were heard, they were no longer regarded, because the population, beginning to breath from their sufferings, and finding some kind of return of the ancient necessaries and comforts of their lives, felt a consequent return of their ancient feelings, and of all their natural affections to the Government and system of their country.

The same happy effects were visible in the Revenue, which I think encreased about seven millions in annual amount, during the years 1817 and 1818; whereas, if it had not been for the encrease of bank notes, which took place in 1816 and 1817, the Revenue would have fallen, in at least an equal degree, if, indeed, it had been possible to collect any Revenue at all, which I very much doubt.—The bank notes were no sooner encreased, than the whole face of every thing was changed. The current of mental depression was arrested, and confidence, and energy, and activity were restored.

Men no longer sought to convert their property into money, which is the mere measure and organ of property, but they sought for property itself, which is the life and bread of the country. The principles of production were again set free. Foreign trade, home trade, agriculture, manufactures, commerce, Revenue, all rapidly improved; and all would have still continued to improve, until the wages of labour, and the rents of land, and the profits of capital, reassumed the proportions which they ought to bear to the national debt, and to all the private debts and incumberances of the country. In two years more we should have had no occasion for loans. The produce of our Revenue would have covered all our wants, and would have left the whole of our Sinking Fund free and unincumbered, to act in reduction of the National Debt, as rapidly as that debt was accumulated.

All these fine appearances have been arrested by the improvident reduction of four millions of bank notes, and by that alone. That reduction has already depressed the prices of property to the amount of four hundred millions, and it has depressed the national debt itself to the value of one hundred millions more, for a fall in the three per cent consols, from eighty-two to seventy-two, is equal to that sum upon the whole debt. Here is a loss of five hundred millions of money; for the general property of individuals will command

only so much less money, and the loss to them when compared with the taxes and incumberances which remain the same, is just as real, as if it had been taken from them in taxes. When such a monied loss as this has fallen upon the holders of property, it is no wonder that every one, instead of seeking property, shrinks again from its possession and avoids its production, because it will no longer redeem the monied obligations, which its production and possession involve.

It is really extraordinary, that in the face of all this mischief and depression, occasioned by the reduction of four millions of bank notes, the Committees of both Houses of Parliament should be coolly and seriously proposing to force a further reduction, to the enormous amount of ten millions more!! The Committees seem to think that questions of life and death, and of prosperity and adversity, are of but little consequence when compared with the *important* object of keeping down the price of gold!! I would ask the Committees whether gold was made for man, or man for gold? I would ask them why the interests of the country are not as safe at £4 10*s.* per ounce, as at £3 17*s* 10½*d* per ounce? And why silver may not as well pass current for 6*s.* 6*d.* per ounce, as for 5*s.* 6*d.*? In short, I would ask them of what consequence it is to the country, whether gold passes for £1 an ounce, or £4 an ounce, or four thousand pounds an ounce,

when once its relations are but fixed and understood? And if the high or low price of gold has no effect upon the national prosperity, when once such price is fixed, why are we to cut down the national prosperity in order to reduce the price of gold within the range of an antiquated maximum? Do the Committees think that the ten millions which they wish to withdraw from the circulation are now idle and unemployed? Or if they *are* employed, how can their use be dispensed with, without crippling all the transactions of life, to the amount of ten millions per week? There can be no doubt that, on an average, the bank notes pass from hand to hand at least once a week. Thus we are called upon to make a deduction of ten millions per week from the payments of debts, from the purchases of property, from the rents of land, and from the wages of labour! The mind shrinks from the contemplation of such wide-extended havoc as this.

It is extraordinary also to observe the coolness with which the Committees speak about the Bank of England, and country bankers, having sufficient time "to call in their accommodations." One of the greatest evils of the division of labour is, that it so concentrates men's minds and habits upon particular objects of pursuit, that few people know any thing at all beyond the range of those immediate objects; and this is the case of the two Committees.

They know nothing at all of the business of banking. "To call in accommodations," may be sport to them, and to the bankers, but it is death to the public. I wish that the Committees were to spend twelve months in a banking house, during the period of a general "calling in of accommodations." They would get more knowledge of human life, and of its ways and means, in that short period, than is to be learnt in all the books that ever were written from the beginning of the world.* Nor

* As an instance of the benefit which men derive from books, when they have not the opportunity or desire of reading the great book of life, I will just allude to a very able pamphlet, which has lately been published in the shape of a letter to Mr. Peel, by one of his constituents. The author produces tables which prove pretty clearly, that in former days (every country has its golden age) the wages of labour in England produced to the labourer about four bushels of wheat per week, or money commanding that quantity of wheat. How these tables were formed, whether by some old country Squire, imposed upon by his tenant, aggravating the evils of his lease, or by some village pedant, who heard his tale of wonders at the village Pot House, I will not pretend to determine. I will only say, that all these kind of tables are false, and that it is scarcely possible for them to be otherwise than false. So many localities and accidents, so many circumstances of time and place, and of situation and authority are to be taken into account, that it is wonderful indeed if the author of such tables has any tolerable degree of correctness in his statements. In the present instance it is sufficient to observe, that *in former days* the gross produce of the land did not amount in money to more than was sufficient to purchase two bushels of wheat per week, for each of the labourers necessary to cultivate it.

would this "calling in of accommodations," be any very agreeable task to the Bankers, if they were all acting upon it at the same time. It would be very much like squeezing blood out of a stone. In 1816, I mentioned the case of a man who possessed £16,000 of money due to him upon mortgage, and about £20,000 more in estates and property, and yet he died of a broken heart, because he was unable to discharge debts amounting in the whole to only £8000.† Do the Committees think

and that even in the present *(leaden)* days, it does not amount upon the average, to a sum of money commanding more than four bushels of wheat per week, for each of such labourers as may be required for that purpose. The correctness of the latter part of this assertion may be drawn from any real farmer in the kingdom, who keeps decent accounts, and that of the former part, may be deduced as a necessary consequence from the relative situation of science and capital, and cultivation at the two periods. It follows, therefore, that without reckoning any thing for what that *Spencean* Bishop Latimer calls the "*gratis*" rents of the landlord, and supposing the farmer to live *upon air*, in the "*good old times*," in the "*Saturnia regna*" of the Poets, the labourers must have received wages amounting to the gross produce of the land, "*in these degenerate days*." "Certainly this is not the world that I was born in."

† Probably the Committees would call this man a "Speculator," and say that he ought not to have contracted his debts until he had had time to get in his mortgages by the process of foreclosure, or until he could have sold his estates for one half the money that he gave for them. And in truth all trade is a "Speculation,"

it would be easy "to call in accommodations" from men of this kind, and in such a situation? And yet the whole of these debts, to the amount of £8000, were "accommodations," as all other debts also are. There can indeed be no doubt that any private banker, who should be acting upon this system, whilst all other Bankers were asleep,

and all industry is madness during the action of a depression of prices, Unfortunately for the Committees, however, the system of society and the order of nature are such, that all trade is carried on through the medium of debts; and in common times, when the money of a country is equal to its purposes, it is just as easy to turn the debts into money when they fall due, as it is to turn the goods into debts when first such debts are contracted; and therefore the unhappy individual in question, had had no opportunity of guarding against such a period as 1816, any more than the thousands of other "Speculators" who, at that unhappy period, where in exactly the same situation.

It is true however this man was a "Speculator," for he speculated upon the system of things continuing the same as he had known it for fifty years. He never foresaw that Theorists would rise up in his latter days, who would take the solid earth from under the feet of the public, and then wonder that the public fall. Every man who ventures to hold property upon debts, or to lay out money in the purchase or production of property, during the action of such measures as the Committees recommend, becomes a "Speculator" of the wildest description; for it is not possible that any thing but loss should attend him. When theorists become the guides of practical men, human life itself becomes a "Speculation," for all the ways and means which support it are obstructed and broken up. The only man who can flourish during the

would find it easy enough; but if all Bankers were to be acting upon it at the same time, they also would find their object recede before them as they advanced. They would find it utterly impossible "to call in their accommodations" from a languishing and exhausted country.

"Call in their accommodations," indeed; why the public have lived upon them, have existed upon them, and to withdraw them, is to withdraw the means of bread from millions. The Committees seem to think, that it is only the first agents who are interested in this banking acccommodation, which they recommend to be withdrawn, without ever thinking of providing a substitute in its place. Let the Committees look around them. The first agents are merely the organs of the circulation. It is of but little consequence whether *they* prosper or not. But they are also *arteries*,

action of such measures as the Committees recommend, is some *over-cunning* person, who shall lock up his money in a chest, and then go to sleep for a few years. Such a man will find his property really doubled in real value, that is to say, his money will command for him, when he awakes, just double the amount of the property which he gave for it, or ever expected to receive for it. But as to any possibility of making profit by any kind of productive industry, in the usual ways and means by which men live, it is too great a "Speculation" for any one but a Theorist to think of.

which disseminate the vital fluid throughout all the ramifications of society. The parties receiving this monied "accommodation," *after it has passed through a thousand hands*, are just as much benefitted by it, as the parties receiving it in the first instance; for, without it, they could not have been paid; nor could they be enabled to continue its action, by means of their own payments, into the thousands of other channels, through which it works the great round of its social duties. It is in this light that banking "accommodations" are to be regarded. The productive energies of the country have been wielded by them. Human life has been supported by them. If we remove them with a rash hand, we remove the means of life and health from millions.*

* It is thought by many persons that if the Bank of England Notes are withdrawn, the country bank notes will step into their place to just an equal amount. This is like expecting the country bank notes to "*run without legs.*" Certainly, if the country bankers had got a Restriction Act, they would then supply the place of the Bank of England notes that might be withdrawn, but since they have not such an Act, but are obliged to pay their notes in Bank of England notes or in coins of the realm, it is next to impossible for them to circulate any notes at all, when they will not be able to obtain either coins or bank notes to pay them with. Any scarcity of Bank of England notes necessarily produces a greater scarcity of country bank notes, because such scarcity takes from the country banker the means and the disposition of issuing them. There are three ways by which Coun-

The committees speak of the Bank's "reducing its issues," and of "commercial persons" accommodating their transactions to the "new state of the circulation," as if the interest of "commercial

try bank notes can get into circulation, first in exchange for Bank of England notes, or deposits; second in the discount of approved bills; and third in making casual and temporary advances to their customers. All these modes of issuing country notes are totally obstructed by any scarcity which takes place in Bank of England notes. The scarcity of Bank of England notes, lowers the prices of property, and diminishes the magnitude and security of the bills of exchange which are presented to the country bankers for discount. And it puts quite out of the question the possibility of the country banker issuing any of his notes upon what are called casual and temporary advances to his customers. He has no confidence in ever getting his advances repaid in any reasonable time, but he is obliged to find Bank of England notes to pay his own notes with, on the very day that he makes the advances, or as soon after as the convenience of the holders may require. He has no confidence in the security of any bills of exchange that can be presented to him, for all such confidence is destroyed by the universal failures and embarrassments which surround him, or if he happens to be rather dull in noticing these kind of things, he will still find some gentle hints that will remind him, that he is liable to pay his notes in Bank of England notes *immediately*, although the Bills which he has discounted will not fall due in less than two or three months. The country banker therefore will take care to reduce the issue of his notes quite as fast as the Bank of England reduces its circulation. His millions of notes which at present *radiate* every week, as it were, from seven hundred centres, over the heads and into the hands of labourers, will be locked up closely in his chest, and the Committees of the two Houses of Parliament, will be left

persons" only was concerned, and that of farmers, and landlords, and labourers, was not at all affected by this reduction of "transactions," which seems so harmless a thing. The committees ought to have reflected that it is upon "transactions" that men live, and that if the "transactions" of "commercial persons" are reduced, human life must be reduced in the very same degree. If the farmer, the merchant, and the manufacturer, are "to accommodate their transactions to the new state of the circulation," upon what is human life to be supported in the mean while? And where is the power that shall accommodate also their debts

to find the practical means of paying and employing those millions of labourers, out of the visionary stores which science and theory present. I apprehend, however, that this will not be a very easy task to the theorists. I *shrewdly* suspect they will find it easier to pull down than to build up. I wish Cobbett was among them now. It would prolong his life at least twenty years, to see how the theorists would be puzzled on the one hand, by the difficulty of feeding and employing the labourers, and on the other, by the utter impossibility of collecting the necessary taxes for the payment of the army, and of the dividends of the national debt. But to speak seriously; I solemnly believe, that if the secret Committees had been appointed for the express purpose of forwarding the ends of Cobbett and his hosts of legislators, they could not possibly have devised any thing more truly to their heart's content, then the reports which the Committees have agreed upon. The Committees have certainly been labouring indefatigably to bring on the times, when as Shakspeare describes it, "rich men look sad, and ruffians dance and sing."

and their rents, and their taxes and wages, and all their other incumbrances to the same standard? The Committees seem not to perceive that all the monied incumbrances of society remain the same; and that since these refuse to "accommodate themselves to the new state of the circulation," they become encreased in real burthen, and operate in arresting all the means and the motives which conduce to the emplyoment of labour, and to the production of national wealth.

After all the experience that we have had, my Lord. After all the misery and confusion which we saw occasioned in 1816, by the contractive action upon the circulating system. After the relief of that misery, by giving an expansive action through the agency of an encreased issue of bank notes. After all the dangers that we have escaped, and all the sufferings that we have endured; I must take the liberty of saying, that it seems to me, to argue a very blameable degree of prejudice in Government, to have suffered the bank circulation to have been again reduced four millions in the last twelve months. And, as to any further reduction of five or ten millions more, which it seems the Committees seriously contemplate, I feel that I discharge only the duty of a good subject, when I inform your Lordship, that such reduction, however effected, will shake the throne of your Royal Master to its centre.

My Lord, I will trouble you no more. Our road is clear as the bright Sun in Heaven. It is to accommodade our coinage to man, and not man to our coinage. The first duty of the legislature is to provide bread for the people. The second is to secure justice, and peace, and order in society. If we are to neglect these great objects If we are to forget the warnings of experience. If we are to contract all the transactions of life within the range of an antiquated *maximum*. If we are to force all the wants, and modes and means of man into an arbitrary conformity with Gold, we must re-organize our armies and double their pay; for it is only through slaughter and anarchy that we shall succeed.

I am,

My Lord,

Your Lordship's humble and obedient servant,

THOMAS ATTWOOD.

Birmingham, 15*th May*, 1819.

Postscript.

IN recommending the Renewal of the Bank Restriction Act for five or seven years certain, I beg to be understood as also recommending that the Bank shall, at the same time, be obligated or otherwise be induced, to encrease the circulation of their notes as far as the national interests may require, that is to say, until all the labourers in the kingdom are again in full employment at ample wages. The great object should be not to limit the *encrease* of bank notes, but to limit the *diminution* of them. At least *twenty-five* millions should be advanced *permanently* upon exchequer bills and other government securities, and then the Bank should be left to use their own discretion in issuing as many more as they please, upon the discount of commercial bills. They would be certain not to issue more than the wants of commerce require, because the commercial bills are limited in their amount, and the parties holding them could not have occasion to get them discounted, if money was too plentiful in the markets; and therefore the

fact of their being presented for discount, is proof that additional bank notes are wanted. This was the case in 1817, when the issue of bank notes through the medium of exchequer bills, occasioned so great a plenty of money in the markets, as very considerably to reduce the amount of the bills presented at the Bank for discount; not that the amount of such bills in existence was diminished, on the contrary, it was greatly encreased, by the additional issue of bank notes. But the holders of such bills had less occasion for discount, and what discount they required, was in a greater degree supplied among themselves. But, I am decidedly of opinion, that the national interests will not be secure with less than *twenty-five* millions advanced permanently upon exchequer bills. It appears, that twenty millions is the amount now advanced upon exchequer bills, and it is well known that the bank discount very liberally any good bills that are presented to them, and yet there is a general and acknowledged deficiency of money, every where but in the narrow circle of the money markets of London, where, as I have said, money is accumulated in hands incompetent to give it action, whilst shopkeepers, and farmers, and manufacturers, are very generally in want of it Its action must therefore be *forced*. An additional quantity must be created, by the bank buying up five millions more of exchequer bills, and then there is reason to believe that in the

course of twelve months, a sufficient quantity will be diffused throughout all the active interests of the country; unless we adopt a measure of this kind to repair the mischief which the late reduction of four millions of bank notes has occasioned, I am perfectly satisfied that both foreign trade, and home trade will rapidly continue to diminish, that the taxes and duties will fall off in their produce, that the labourers and mechanics will be universally discharged, or reduced in their employment and wages, and that all the efforts of the Government to preserve the peace and security of the country, will be utterly in vain.