From the Author
to the Earl of Lauderdale

LETTERS

TO

THE EDITOR OF "THE TIMES" JOURNAL,

ON THE

AFFAIRS AND CONDUCT

OF

THE BANK OF ENGLAND;

THE

INTRODUCTION OF BRITISH SILVER MONEY INTO THE COLONIES;

AND GENERALLY, ON THE

CURRENCY OF THE UNITED KINGDOM, BOTH PAPER AND METALLIC:

WITH NOTES, AND AN APPENDIX.

BY DANIEL HARDCASTLE.

"I have been young, and now am old; yet did I never see an English Guinea, or a Spanish Dollar protested for non-payment."

MOSES EZECHIELS.

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PREFACE.

THE first Letter of this collection was published in the "*Times*," on the 20th December, 1824, and the last on the 30th January, 1826; they relate to our currency, both paper and metallic; and will be found, I believe, to contain principles applicable to all currencies, and to every state of affairs. I have added some Notes and an Appendix, containing new and (as I think) curious matter.

In the composition of these Letters I have bestowed some labour, but much more in the study of the subject to which they relate: on which, at every moment of leisure during the last seven years, I have meditated to the full extent of my capacity; and, therefore, whatever my errors, they cannot be imputed to haste and precipitation.

In discussing the subject of money—in comparing a paper with a metallic currency—and in treating of the defects in our metallic system, I have taken great pains; but I have laid down no new principles; nor was it necessary, because it is quite certain that every thing worth knowing in principle has been long since discovered; and curious indeed would be the situation of the civilized world, if after ages of experience, it should still be necessary to inquire into the nature of money, and the functions it has to perform. Here, therefore, I have contented myself with clothing old and long-established principles (which never have, nor ever can be departed from, with safety) in a new dress; and in which I think they will appear to advantage.

Having propounded no new principles, it will be quite in vain to criticise this work; because, whoever quarrels with me, must quarrel with

Sir Isaac Newton and Mr. Locke; and with such men I am quite satisfied to be in the minority. In short, he that quarrels with me quarrels with facts, and with the system of currency at present established in France, and with that which existed in Holland during the flourishing and most illustrious period of the Republic.

In more than one part of these Letters I have had occasion to advert to the value of Bank-notes during the restriction; and in computing this value, I have proceeded on the only hitherto acknowledged principle, "the difference between the Mint and the market price of gold bullion:" but I have long been convinced that this principle does not go far enough, and that the excess in the market price of gold bullion beyond the Mint price did not, at the period to which we allude, designate to the full extent the depreciation in the value of the Bank-note. I intended to have said something on this matter in the Appendix; but my health is not good, and I must set bounds to my lucubrations; I therefore defer it to a future opportunity.

In all that relates to the affairs and conduct of the Bank of England, and its connexion with Government, I have expressed myself with great freedom, and even boldness; but I have said no more than I believe, and no more than the occasion called for; and I have given my reasons.

Having from early youth been brought up in the fear and veneration of the Bank of England, I once fancied that I saw a certain usefulness in the system, and at any rate that it was necessary to enable us to carry on the late war; but time has passed over my head, the investigation into the affairs of the Bank, in 1819, brought much to light which before was shrouded in obscurity, fact upon fact has been disclosed; and, I am undeceived: and I am now as fully convinced, as I can be of any thing upon earth, that the Bank never did, nor ever can, render the least effectual assistance to the Government; but, on the contrary, that every transaction between the Bank and the Government must eventually lead to mischief.

The present moment is highly propitious to the establishment of a sound system of currency in this country. A great part of the debt due to foreigners, (the fruit of those improvident speculations which had their origin in an excessive paper currency), have already been liquidated; not honestly, and by means of goods or money, but by Bankruptcy; and part of that which remains, will in all probability be liquidated in the same manner. In this state of things, and with a ruined credit, we shall probably sell more than we buy; this will bring in the precious metals; and the government of this country will be disgraced for ever if it does not at once and effectually, put down a system which, every four or five years, (and this as sure as effect follows cause), converts a whole nation into a gang of swindlers.

Something also, it appears, is to be done, and some of the plans suggested in these Letters are to be acted upon. All notes under *5l.* are to be withdrawn from circulation: silver, as well as gold is, it is said, to be a legal tender; and, it is even whispered, that a branch of the Mint is to be constituted a bank of deposit for silver bullion; but part of this may not be true; and except what I occasionally glean from the Newspapers, I know but little of the occurrences of the day.

It is certain, however, that these measures, if carried into effect, will greatly improve our monetary system; our metallic system will then be as perfect as it can be; but with respect to our paper currency, it is clear to me that the proposed measure does not go far enough, and that by allowing notes to circulate under 20*l.*, or at any rate under 10*l.*, we shall be constantly exposed to an excess of currency; but permit no notes under 20*l.* to circulate, and dissolve the connexion between the Bank of England and the Government, and then, whether we establish Joint Stock Banking Companies, or leave the trade in banking upon its present footing; or, whether we do or do not renew the Charter of the Bank of England, are matters of very little importance. And how it comes to pass (at least with reference to a sound state of things) that these banks of credit should at all be necessary, I am at a loss to divine; for most certainly there is no proposition in Euclid so clear as this, that every individual may, by means of industry, get money of the precious metals, as well as money of paper, and that therefore the whole community may get money in the same manner. But if it be held that money is to have its origin in the mere act of borrowing and not in labour, and that rotten parchment bonds, mortgaged land, and Government securities, are to circulate as money, then indeed do we come to a different principle, and from that moment things assume a different aspect; but then there is no limit to the quantity of money, and then as money (that is as a measure of value) it is of no use.

Writing, for neither fame nor profit, and without the slightest connexion with any political party, I now leave these Letters to their fate; merely premising that they are to be considered as so many protests against a long course of folly and delusion, which has no parallel in the history of any other nation upon earth.

13*th February*, 1826.

LETTER I.

ON THE AFFAIRS AND CONDUCT OF THE BANK OF ENGLAND.

"Money is neither Whig nor Tory."—SWIFT.

THE good people of these realms are destined to acquire great experience in all matters relating to currency; and deservedly, for none are more willing to pay for it, or possess to a greater degree that most invaluable cast of mind, which constantly disposes men to reward those by whom they are cheated. But experience (says the old proverb) is a dear school, though fools will learn in no other; and, therefore, as we confessedly have still much to learn, so will it naturally follow that we have much to pay for; *après le fait, sage Breton.*

More than five years have now elapsed since I addressed some letters to you on the subject of our Mint regulations and the Bank restriction; the former remain; a monument of human folly and absurdity; but of this, as a strictly scientific (and therefore dry and uninteresting) subject, I shall say nothing at present.

My present business is with the Bank of England. The Restriction Act was repealed in 1819; the Bank has since resumed cash payments; every thing has appeared to go on smoothly and comfortably; and I little thought that I should again have to trouble you on this point: when, lo and behold! fresh matter arises; the Bank rushes headlong into a vast variety of engagements and undertakings, some of immense magnitude, others of less, but all of them at variance with every sound principle. It is, therefore, very far from impossible, that while others warble a "*Beatus ille*" (that is, "blessed is the Bank Director"), you and I may have to chant the "*miserere*" of another restriction. But I will explain myself.

The first operation in which we find the Bank engaged since the resumption of cash payments, is the purchase from Government of a part of the annuity created for the defraying of the naval and military pensions. The part so purchased by the Bank was

585,740*l.*, and for which it agreed to pay in the following manner:—

1823—April	. . . .	£885,719
July	. . . .	1,225,000
October	. . . .	67,870
1824—January	. . .	1,175,000
April	. . . .	67,870
July	. . . .	1,175,000
October	. . . .	27,870
1825—January	. . .	1,135,000
April	. . . .	27,870
July	. . . .	1,130,370
1826—January	. . .	1,097,870
July	. . . .	1,067,870
1827—January	. . .	1,037,870
July	. . . .	992,870
1828—January	. . .	947,870
July	. . . .	1,027,500
		£13,089,419

Now, in consequence of this transaction, a very considerable addition has already been made to the paper money of the country; from the same cause it is regularly increasing, and by the time the transaction is completed the addition will be enormous.

Now I say nothing on the measure itself, except that it was perfectly useless, for if it had been necessary to borrow at all, why not borrow from the sinking fund, and construct a new sinking fund out of the naval and military pensions as they fell in and became extinct? The expedient was simple, the country might equally have been relieved from taxes, it would not have had the annuity to pay during forty-five years, and still a sinking fund of this description (taking the rate of interest at 4 per cent.) would have amounted, at the expiration of the forty-five years, to upwards of 240,000,000*l*.

But, leaving all this out of the question, why sell this annuity to the Bank, and not to the public? Because the public, though partial to perpetual annuities, is averse to the purchase of annuities for a term of years. But the nature of things will not be changed, and, whether in a terminable or a perpetual annuity, to borrow is still to borrow; the two modes stand in a certain defined, fixed relation to each other. To compare the value of an annuity for a term of years with a perpetual annuity is easy; and, therefore, if the public objected to lend money on annuities for a term of years, why not borrow in perpetual annuities?

But let us proceed. The next operation in which we find the Bank engaged is the making advances on the security of landed property: what these advances may amount to I do not know, but they are supposed to be about 2,000,000*l*.

The next expedient hit upon, in order to increase the issues of Bank paper, is to make advances upon funded property, *nouveau genre de folie!* The extent of these advances I am at a loss to determine: it may be two, but it certainly does not fall short of one, million; but, be it what it will, it is an addition to the general mass of paper.

I might go on, but where so many points remain to be discussed we must be short on each: add, then, to all I have stated, the advances made by the Bank to the dissentients in the operation of reducing the 4 per cents., and its regular advances to Government on Exchequer-bills, and you will find a mass of paper far exceeding what would have circulated in the natural course of things, and which must therefore necessarily interfere with the usual and pecuniary transactions of the community. There is also one observation which is applicable to all these transactions—viz. that they are completely at variance with the original purposes for which the Bank was established, and with every sound principle of banking.

To this it is said that the trade of the Bank in discounts falls off, and that therefore it has recourse to these expedients in order to increase its issues. But whose fault is this?

and who will apply to it for discount, when money may be had in the streets? And this shows the folly of the system; for in a regular state of things, whenever the currency is deficient, great and frequent applications are made to the Bank for discounts, and this soon cures the evil; but our present system is the very reverse of this, and leads to very different consequences: for we first create money, and then, instead of waiting for solid money, and then, instead of waiting for solid customers and a regular demand, we attempt by every possible species of quackery to slink it into circulation. At length we succeed, and then we immediately cry out that the applications for discount diminish; that is, we first overstock the market with money, and then, in pure simplicity of soul, we wonder that people do not ask for more.

Then again it is contended, that the Bank has a large capital and great resources, and that, keeping within certain limits, it has a right to employ this capital as it pleases. Now all this is very easily said, and perhaps not quite so easily answered. Involved in the gloom of a mysterious intricate system, the Bank studiously withholds all knowledge of its affairs from the public; but here and there, through chinks and crannies, light breaks; a few leading facts, which can be

neither misrepresented nor controverted, jut out as promontories to direct us in our course; and, therefore, though we cannot speak with the utmost accuracy and precision, yet I believe it will be found that we know quite enough of the affairs of the Bank for all the purposes of illustration.

The original capital of the Bank and subsequent additions to this capital, amounting altogether to 14,686,800*l.*, is lent to Government at 3 per cent.; here, therefore, the Bank stands in the simple relation of a fundholder, and this is not property of which the Bank stands possessed, but property that it has parted with, and in lieu of which it receives an annuity; it is not available for any of its present operations, nor is it indeed available for any purpose whatever, because the money has been long since spent and gone; and before it can be returned by Government to the Bank, it must be raised by loan or taxes on the public; and, therefore, though this capital so lent by the Bank to Government may be a good security for the ultimate solvency of the Bank, yet it is no security whatever against a suspension of cash payments: it was not so in Mr. Pitt's time, and at the period of the last suspension, nor will it be in any other.

Come we then to the active disposable

capital of the Bank—to that capital, in short, which alone is applicable to its present transactions.

When the affairs of the Bank were investigated in the year 1819, the Bank Directors delivered in a statement, dated the 31st of March, 1819, and by which it appeared that the then capital of the Bank was 5,231,190*l*.

Since that time the Bank has made profits, and on the other hand has paid dividends to its proprietors; but by the considerable reduction in the rate of interest in general, and particularly on all Government securities, the profits of the Bank must have materially diminished; and, including the remuneration for the payment of the dividends, and the interest it receives on its capital lent to Government, I do not believe (its own expenses deducted) that the annual average net profits of the Bank since 1819 have exceeded 900,000*l*., and certainly not 1,200,000*l*. Take them, however, at the latter sum, and then the account will stand thus:—

The active capital of the Bank, according to the statement dated the 31st of March, 1819, was . . .	£5,231,190
Add profits made from April, 1819, till Oct., 1824, at the rate of 1,200,000*l*. per annum.	6,600,000
	£11,831,190

Brought forward . . .		£11,831,190
Deduct 4 yearly dividends of 10 per cent., on 14,553,000*l*.	£5,821,200	
Deduct 2 yearly dividends of 8 per cent., on the same sum	2,328,480	
		8,149,680
Remains		£3,681,510

It would therefore appear that the active capital of the Bank is at present only about three and a half millions.

Now I believe that nothing I have here said can be materially or substantially contradicted. The item of 5,231,190*l*. is founded on the Bank's own statement; and that its profits since 1819 must have materially diminished, not only from the resumption of cash payments, but also from the great decline in the rate of interest on all Government securities, is, I believe, past all question. And, indeed, if this were not the case, where was the necessity to reduce the annual dividend from 10 to 8 per cent.? But I have no wish to exaggerate; the profits of the Bank may have been greater than I have stated; I am willing to be in error, and to allow (what I do not believe) that the profits of the Bank have been such as to admit of the dividends it has made since 1819, without the least diminution of its then active capital; and then I will leave it to the determination of any prudent, considerate, sober-minded man, whether, upon the foundation of so limited a capital as five millions, the Bank of England is warranted in entering into such stupendous engagements and operations.

But then there is a great deal of gold in the country. This is not quite so certain. On the contrary, I am fully persuaded that all the gold in the country does not exceed fourteen, and certainly not sixteen, millions. How this is divided between the Bank and the public is not very easily determined: perhaps about seven or eight millions may be deposited in the coffers of the Bank, and the remainder in circulation, and in the hands of the public. But at the period of the suspension in 1797, upwards of thirty millions of gold currency existed in the country, and yet Mr. Pitt, merely by borrowing about ten millions from the Bank, caused it to stop payment.

Then, again, we are told that some or all of the new mining associations are to introduce large quantities of gold from Mexico. Very likely; but this gold is not yet concocted, it is gold *in futuro*, and as far as the fact stands at present, the whole idea is ridiculous; because at this present moment of time large quantities of both gold and silver are on their passage from this country to Mexico, Colombia,

and the Brazils. Indeed, these Mexicans and Colombians are most excellent customers to the people of this country, for not only are they content to take our goods, but they are willing to take our money into the bargain. What a pity it is that they are not also willing to take the notes of the Governor and Company of the Bank of England! But somehow or other this is a commodity which foreigners do not rate quite so highly as ourselves. Thus, if I go to Paris with 100 sovereigns, I am sure to receive from 2,515 to 2,520 francs; but if I take a 100*l*. Bank-note, I shall only get about 2,490 francs; and therefore, in the estimation of a Frenchman at least, Bank-notes are at a discount.

But, get gold from Mexico, or the moon, or where you like, and where is the utility? You will only receive it *in transitu*, and it will immediately be exported to other countries. It is a maxim in currency, that the money which is worthless or of inferior value will drive out that which is good. How, then, is gold to remain in the country when the currency is already redundant? And as to export the paper would be of no utility (because nothing could be had in return for it), it is evident that the gold must be sent out. During the restriction immense quantities of gold and silver were imported, and yet the whole disappeared, and along with it all the gold currency of the country.

Now, let us view the matter in another light; let us contrast the state of things produced by these operations of the Bank, with that state which exists when things are left to themselves, and in their natural order.

Thus, if the money borrowed by Government of the Bank for defraying the naval and military pensions had been borrowed of the public, the latter would have advanced a real capital, and the amount of currency would have remained the same; but when the same transaction is entered into with the Bank of England, the case is altered immediately, because the Bank, having no capital to lend, does, and can, in reality, only furnish the Government with a certain amount of paper: and then, as a result of the operation, an immediate addition is made to the paper currency of the country, and which but for this would not have existed; and which clearly is not necessary, because the quantity of commodities still remains the same; the operation itself neither tends to increase nor diminish them; that they should circulate, at their fair natural value, no additional quantity of currency was therefore necessary; and therefore,

the quantity of commodities remaining the same, while the quantity and amount of currency is increased, it is quite evident that the natural tendency of that operation which borrows paper from the Bank instead of capital from the public, is necessarily to raise the money value of commodities: and this is the natural tendency of every jobbing transaction which takes place between Government and the Bank of England.

So, again, when the 4 per cents. were reduced, the Bank, by paying the dissentients, in reality advanced nothing: but there was merely a certain quantity and amount of Bank paper added to that which already existed: whereas, if the money to pay the dissentients had been borrowed from the public, the currency would not have been affected. And why this was not done I am at a loss to imagine; for upon what grounds and upon what pretence do we reduce the 4 per cents.? Simply because the rate of interest is reduced. Borrow then at a reduced rate of interest—not in rags, but in reality; borrow from the public that has something to lend, and not from the Bank that has nothing.

Again: when money is advanced by individuals on mortgage, this money is lent in a currency which already exists, which passes from hand to hand, and is applicable to this and every other purpose of the community: but let the same advances be made by the Bank, and immediately the quantity of money in circulation is augmented, because the advance is made in paper created expressly for the occasion, and which, but for this, would never have existed.

Finally, let advances on funded property be made by individuals, and the amount of currency will remain unaltered; but let the same advances be made by the Bank, and immediately the amount of currency will be augmented.

Now let us endeavour to ascertain the present amount of the legal currency of the country, and compare it with the greatest amount of money in circulation during the war. I am aware that to do this exactly is impossible, because the Bank, true to its system of mystery and concealment, obtained leave, (I believe) during the last session of Parliament, to withhold all knowledge of its issues from the public; but here again we know enough for the purposes of illustration; and if I err, it shall not be wilfully, or to favour my own hypothesis.

The average amount of Bank-notes in circulation during the last nine months, may, I think, at the highest, be estimated at twenty-six millions, and at the lowest, at twenty-two millions; and, therefore, I might take the mean, and estimate it at twenty-four millions, but I will take it at twenty-two millions—I will even take it at twenty millions; and it is quite impossible, I believe, with the least regard to truth, to rate it below this amount. To this must be added the gold and silver currency; and all this together will furnish us with the following statement:—

Bank-notes in circulation* . . .	£20,000,000
Total amount of gold currency, about	16,000,000
Ditto of silver currency, about .	7,000,000
Total . . .	43,000,000
Deduct the amount of gold currency in the coffers of the Bank . .	8,000,000
Remains . .	£35,000,000

* From a return made to the House of Commons after the publication of this Letter, (*viz.* on the 2nd June, 1825) it appears, that the amount of Bank-notes in circulation in the month of December, 1824, was as follows:—

December 4 . . .	£20,352,087
11 . . .	19,500,444
18 . . .	18,915,157
25 . . .	19,447,396

giving an average circulation during the month of December, 1824, of 19,553,771*l.*; and, as the period when this

Therefore, the total amount of the legal currency of the country in circulation, amounts, I believe, at the lowest to 35,000,000*l.*

Now let us look at the state of our currency during the war and the late restriction.

The period during the late war at which our paper currency stood the highest, was in the year 1813, and there was also, during that year, raised by loan for the public service, the enormous sum of 27,000,000*l.*

Now the average amount of Bank-notes in circulation during the year 1813, was 23,612,300*l.*; there was not a particle of gold coin in circulation. The average price of gold during the year was 5*l.* 6*s.* per ounce, and, therefore, the Bank-note was worth only 14*s.* 8*d.*; and, therefore, the real value of the 23,612,300*l.*, when reduced into gold, or into paper on a par with gold, was only 17,315,686*l.* 13*s.* 4*d.* Add now to this about five millions (at the very utmost) in Bank-tokens and a depreciated silver currency, and

Letter was published was just before the payment of the dividends, when the circulation would naturally be low, not only was my estimate of the Bank circulation accurate, and this without the assistance of official documents, but it also was moderate, because, *cæteris paribus*, that circulation, which, in the month of December, is 19,500,000*l.*, will be much more than 20,000,000*l.*, upon an average, throughout the year.

you will have a total amount of legal currency for the year 1813, of about 22,000,000*l.*, and then the conclusion is irresistible; and if, during a period of war, of great Government expenditure, heavy loans, excessive taxation, and difficult communication with other parts of the world, a currency of 22,000,000*l.* was sufficient for all the purposes of the community, it is quite certain that during a period of profound peace, reduced taxes, and a prompt and easy communication with all parts of the world, a currency of 35,000,000*l.* must be redundant.

But we want no calculations, we are under no necessity to prove, or even to inquire into the actual amount of our currency; for the fact being, that the real (not the nominal) exchange has for this some time past been below par, and that gold has been regularly exported to France, and other parts of the Continent; this alone is conclusive evidence, that the currency is redundant.

Now, leave the public out of the question, and view the matter, *in se*, and with relation to the Bank alone.

The Bank was instituted for the purpose of discounting merchants' acceptances, and against these it issued its notes; does it discount merchants' acceptances now?—

Certainly. To a large extent?—Very trifling; and indeed so trifling, that nine-tenths, and perhaps nineteen twentieths of the Bank circulation is founded, not on merchants' acceptances, but on land, and on Government securities. But does it consist with any sound principle of banking, that nineteen-twentieths, or even nine-tenths of the issues of an establishment, which prides itself on its solidity and good conduct, should be founded on securities which, before they can become assets, must first be sold in the market?

Now look at the extreme ridicule of the thing. Is it in the nature of things, that land should circulate and float up and down the country in the shape of Bank-notes? Or does it consist with right reason, that Government securities should become the currency of the country through the instrumentality of Bank-paper? But it will be said that this was the case during the war and the late restriction. No doubt; but, *distingue tempora*, the war is at an end, and the act of 1819 repealed the restriction, and all the state doctors assured us that we should recover our senses. But I see how matters stand, and as the dog returns to his vomit, so is it intended that we should again be brought to take up with this vile trash of a paper currency.

But how is this a public question, or how does it concern the public that the Bank should make advances on land, and on property in the funds? Not at all, provided these advances be made in real capital; but by advancing mere paper, which costs nothing, but which the law acknowledges as money, and which, in point of fact, performs all the functions of money, the relation which before subsisted between money and commodities is destroyed; money, from its greater abundance, becomes cheaper, and commodities become dearer; while all this time no one real thing, not one single particle of wealth, is added to the public stock, and there is merely a certain profit made by the Bank, which, somehow or other, must come out of the pockets of the people.

Now, mark the progress of the operation: first, by means of a mortgage of land, or advances on Government securities, a certain quantity of money is thrown into the market, which otherwise would not have existed; and then, as the instrument is ready to the hand, and that this money must be employed, we immediately begin to think of speculating in commodities, or to form some new company, and so the public is deluded; and, therefore, this is directly and essentially a public question, and one in which every plain, honest, industrious man in the kingdom is interested.

"It cannot, and it will not come to good." But I will neither break my heart nor hold my tongue; but as long as this frail body draws breath, and in utter disregard of all consequences, I will continue to deprecate a system which tends to raise the price of the poor man's loaf of bread, and to abridge his comforts.

And now upon the whole matter. We have seen what the Bank has undertaken, the truly slender means at its disposal to enable it to carry such gigantic operations into effect; we have ascertained that our currency is redundant; and we have also seen the way in which a most unnatural influx of currency must necessarily influence the transactions of the community. And are we, then, so unskilled in the signs of the times, that we must yet wait for a sign from Heaven? Do we wonder that corn has risen—that land has risen—that the exchange for this some time past has been declining, and is now below par?—that gold is regularly exported—that new companies spring up, one

after the other, like mushrooms—and that the abundance of paper, and the consequent facility with which it may be obtained, is the signal and sanction for every wild and desperate species of adventure? Where, then, shall we be, if (in addition to all I have stated) this country should next year require an importation of foreign corn? And what is there then to prevent the Bank from suspending cash payments?

But is this system to be continued?—I believe so. Hitherto, at least, there is not the slightest indication of a change. Ask the Bank for money on mortgage: it is granted. Ask for an advance on consols: you have it immediately. In making advances upon stock, there is, however, one part of the conduct of the Bank which is highly deserving of approbation: there is no exception of persons; but you are greeted with a "Walk in, gentlemen; the cash is ready:" first come, first served, whether it be a lord or chimney-sweeper.

But is there no remedy?—A very simple one. The Bank must recall a part of its issues: and the sooner it does this the better: but if the present course be persisted in, then that impulse which has already been given to things, and which now creeps as a canker, will become too powerful to be checked, and we shall have a catastrophe, and this very shortly, if the country should require an importation of foreign corn; but something later, though with equal certainty, if this importation should not be necessary. The eyes of the public will then be opened, and the Bank of England will be put down as a public nuisance.

There is, therefore, no alternative, and no means exist to avert the impending evil, and to restore the equilibrium of things, but to reduce the Bank issues. The same cause, generally speaking, will produce the same effect; and if Mr. Pitt, merely by borrowing about 10,000,000*l.* from the Bank, in 1797, caused it to stop payment, the same and other jobbing transactions of the like nature, but to a still greater extent, will inevitably now lead to the same result.

Every reliance, I know, may be placed on the honor and integrity of the Bank Directors, but this is not sufficient; new maxims prevail, and this is an era of speculation and experiment. Uncertain, therefore, as to the course they will adopt, let us be prepared for a *denouement;* and as we shall in that case have to travel again over the same ground, it will not be amiss that we

consider the nature and effects of our paper currency during the late restriction: and this I will do, if I have time, and you will allow me space in your columns.

In the meantime, what shall we do with the large establishment on Tower-hill (the Mint)? Shall we shut it up at once in order to save expense? or shall we convert it into a paper-manufactory? Talk, indeed, of coining money, and of a perfect mathematical system of currency! Talk of rags, and egg-shells, and eel-skins, and leave the currency of the country (where it has been before) in the hands of the Governor and Company of the Bank of England. You will be sure of a plentiful supply *usque ad nauseam.*

December 20, 1824.

LETTER II.

ON BANK-NOTES AND CREDIT.

"Fungus est quod una nocte nascitur."

We hear much of the great capital of the Bank of England, but I really can see no traces of this capital in its operations.

How does the Bank buy gold?—With Bank-notes. When it lends to Government, in what are the advances made?—In Bank-notes. When a man mortgages his estate to the Bank, or when he pawns consols, what does he receive?—Bank-notes, *toujours* Bank-notes; and so that Bank-notes would appear to be the universal elixir, and a remedy for all disorders; like the assignats during the early period of the French Revolution. *Mais si maladia opiniatria non vult se garire, quid illi facere? Assignare—postea assignare, ensuita assignare.*—(See Burke on the French Revolution).

As, therefore, in all our operations, Bank-notes are the *unum necessarium*, then comes

the question, What is a Bank-note?—A piece of paper with the figure of an old sybil in the corner, depicted in the act of issuing prophecies and promises to the British public. What is the foundation of a Bank-note;—that is, on what does it rest?—On credit. And what is credit?—A phantom—a mere abstract idea. Credit is nothing that is material or tangible; it is neither wealth nor capital; it is not gold, nor is it silver: it is neither food nor clothing, nor a ship, nor a steam-engine: but all these and other things existing, credit intervenes, and, by a variety of *hocus pocus* tricks, influences their distribution; and so that the man who has nothing, coming in contact with the man who has something, the one very dexterously, and by means of credit, contrives to get his hand into the pocket of the other: and though I will not be positive *(car il ne faut jurer de rien)*, yet I clearly take this to be the reason why all these mighty issuers of paper are so loud in their praises of credit. *Inter se convenit ursis;* and (consult the currier) there's nothing like leather.

Did credit enable us to carry on the late war?—Ask those that paid the taxes; and ask those, again, that furnished supplies to Government by means of loans, and they will all tell you, that if they had not supplied the Government with something more substantial than credit, the war could not have been carried on even for an hour. Shall we put the same question to the Bank of England?—If you like: but all there is silent as the grave, and you will get no answer.

As credit, therefore, did nothing for us at home, was it of any use to our allies?—Ask the Emperor of Austria, who took our gold, and gave us credit in return; and which credit, in the shape of so many mortgage bonds, is still (or was lately) locked up in that grand emporium of all credit, the Bank of England.

Can credit build a house?—Yes, provided some man that has capital will pay for the labour and materials; and credit can do still more, and after the house is built credit can mortgage it. And this brings us exactly to the transactions between the Bank of England and the Government. Nothing so easy as for the Bank to furnish credit (that is, paper), but *nil ultra;* and the supplies—that which the Government really requires—must come from the people; and then it follows as a matter of course, under our system, that the Bank must be paid—for what? For doing worse than nothing. Fools and madmen!—

why all this roundabout way of proceeding? Why not move openly and directly towards your object? And since it must come to this at last, why not apply at once, and for all you want, to the public? But then less machinery would be set in motion, and we should have less opportunity to show our great skill in matters of finance. Certainly, and therefore there would be less expense, and less injury to the public; and, therefore, unless we are bound to consider the waste and dilapidation of the public resources, as part of the craft and mystery of finance, we should most assuredly gain by the change.

Now, let all I have said be denied, and then it will immediately follow, that whoever shall busy himself with making out an account of the wealth and resources of this country, must necessarily include in his estimate all the Bank-notes in circulation, and all the credit of the Bank of England. And then it will again follow, that as paper may be multiplied at will, and *ad infinitum,* so there would be no end to the multiplication of our wealth and resources, and we might drive all the world before us like a flock of wild geese; and public wealth would no longer, as heretofore, be obtained by labour and real capital, but by dint of sheer trick and manœuvre—a most preposterous idea; and, therefore, it is clear to conviction that a Bank-note is but a piece of paper, and that credit is a phantom which a breath may dissipate and resolve into thin air. Not that I mean altogether to disparage credit; as one of the means for distributing the wealth of the community, it has its place, acting sometimes to our loss, and sometimes to our advantage; but credit creates nothing, and will stand us in no stead in the day of trial, and when our real resources must be called into action. In one word, call credit what you will, and picture it to yourself as great as you will, and then trace it through all its windings and doublings, you shall find it wandering about like a beggar, and still it is powerless till it reaches some man, or set of men, who want no credit themselves, but who, on the contrary, are in the possession of all those things that credit requires, and then a bargain is struck, and credit gets assisted.

But is not credit of utility to the Government?—Yes, provided it has something whereon to feed and batten; but here the argument has no place, for we maintain that the Bank lives, and moves, and has its being in credit, and in credit alone: and, therefore, for the Government which has but credit, to

apply for assistance to the Bank which also has but credit, is in reality to make a most useless application, and to get nothing at all; and the real supplies must come from the people. And, therefore, the sole and mere result of every transaction between the Bank and the Government is the derangement of the currency; and, pay the Bank what we will, we do not merely pay it for doing nothing, but for doing harm.

As credit, therefore, is nothing, and a Bank-note in reality but a piece of paper, what is the result of an emission of Bank-notes founded on a loan to the Government, either on the security of Exchequer-Bills, or any other security of a similar nature?—This may easily be shown, and though (according to Mr. Burke) cases are but dead things, and that principles alone are living and productive, yet the public shall be treated at all points, and as we have already laid down principles, so will we now lay down a case.

There shall, then, be a period in which no connexion whatever shall subsist between the Bank of England and the Government: at this period there shall be a currency (partly paper and partly metallic, but the whole, as to value, on a par with metallic) of the numerical amount of 20,000,000*l.*: this currency shall operate on a mass of transactions of the value of 200,000,000*l*., and this shall be called a sound regular state of things; and all things (money as well as commodities) shall be said to circulate at their fair proportionate value. This being laid down, it will follow, that 20,000,000*l*. being the value of the currency, and 200,000,000*l*. the value of the commodities on which it is to operate, that the relation between money and commodities will be as two to twenty, or as one to ten.

Now, this sound state of things existing, let the Bank all of a sudden lend 10,000,000*l*. to the Government on the security of Exchequer-Bills; and then I say, that this being a transaction which has no foundation in, or relation to, commodities, but being merely a loan on the security of paper, if that which when it is issued is to act as money, I say that its only effect will be to disturb the former proportion between money and commodities; and this proportion, instead of being as one to ten, or as two to twenty, will immediately be as 1½ to ten, or as three to twenty; and then it is evident that the action of money on commodities will be such as inevitably to raise their prices; for it is only by doing this that the money

can find employment: and, therefore, all other things remaining the same, if, when the currency was 20,000,000*l*., the price of the quarter of wheat was 60*s*., when the currency comes to be augmented to 30,000,000*l*. the price of the same quarter of wheat will be 90*s*.; and by this rise in the price of corn, and of commodities in general, the former proportion between money and other things will be restored; the money will find employment, and the demand for money will be precisely the same as before. In short, if twenty millions of money are sufficient for the circulation of 200 millions of commodities, then thirty millions of money will circulate 300 millions of commodities; but at fair money prices there are but 200 millions, and, therefore, either the prices of commodities must rise, or the money must remain without employment.

But, though by this rise in the price of commodities, the former relation between money and commodities will be restored, yet this will only apply as to value, and not as to quantity; for the former quantity of commodities still remaining the same, while the quantity of money is increased, and all the money finding employment, the same quantity of gold or silver will no longer exchange for the former quantity of commodities; and if in one state of things an ounce of gold is exchanged for any given quantity of wheat, it will in the other require one ounce and a half of gold in order to obtain the same quantity. But one ounce and a half of gold can never be obtained with the same facility as one ounce alone; for then both would be alike, and this would be to confound all ideas whether of weight or quantity. It would also be to confound all ideas of value; for if gold has an exchangeable value (which it has, and thereby it is fitted to serve as money), then it is quite impossible that two differing quantities of gold can, as to value, stand in one and the same relation to any other thing.

Nor can the operation between the Bank and the Government influence the value of gold generally, and by diminishing the demand for it, alter its relation to other things; for this is not an operation by which we merely substitute one species of money for another, and reject a certain quantity of gold in order to supply its place with paper; but it is an operation by which, without reason or necessity, or the least foundation in any real transaction, we merely add ten millions to the already existing currency of the country; and most assuredly (whether the currency be en-

tirely metallic, or partly paper and partly metallic) this will neither diminish the demand for the precious metals, nor cause them to be obtained with greater facility. And, therefore, all that our grand operation accomplishes is merely this—that it reduces the exchangeable value of the precious metals when compared with other things, not generally and universally, but partially and exclusively, and confined to our own particular country; and then it will follow, that, as compared with other commodities, the precious metals will be cheaper with us than in countries where things are left to themselves, where no overgrown monopolies exist to disturb their natural relations; and where men have not yet reached that pitch of insanity as to suppose that every issue of paper is a supply of real capital to the community.

Now it is evident at first sight that this great redundancy and consequent cheapness of money must be highly injurious, and particularly to a manufacturing nation that has large foreign dealings; because at home a large quantity of money will but exchange for a small quantity of commodities; whereas, in every other country with which it has dealings, a small quantity of money (by comparison) exchanges for a large quantity of commodities, and, therefore, the country that has a redundant currency must necessarily buy dear and sell cheap; and as long as things are in this state, it is quite impossible to get over the difficulty, and so as to be able to compete with other countries but by additional labour, or by greater skill and ingenuity, or improved machinery; and then in our intercourse with foreign nations (and to the extent of all that difference in the value of money which we have described), will our labour, and skill, and machinery, be thrown away and count for nothing.*

The evil, then, resulting from a redundant

* According to Hume, it will have all the effects I have here mentioned, these are his words: "What pity Lycurgus did not think of paper-credit when he wanted to banish gold and silver from Sparta! It would have served his purpose better than the lumps of iron he made use of as money; and would also have prevented more effectually all commerce with strangers, as being of so much less real and intrinsic value."

But if not true to the full extent, this at least is certain, that the effect of a redundant currency, particularly of paper, is to sink the value of the precious metals; and this is an evil, because gold and silver being productions, commodities equivalents, to reduce by artificial means the value of any production must be productive of mischief; and the greater the foreign commerce of a country, the greater will be the mischief.

currency being great, what is the remedy?—The first is, that the excess should be hoarded; and, whatever ideas may obtain to the contrary, it is nevertheless quite certain that when the currency is entirely metallic, to hoard (that is, to stock and store up) money, does good: not merely (as in the present case), by relieving the currency from its excess; but for this reason—that as that which is sent out of the country is in reality not sold till the commodity which we receive in return is disposed of; so will it follow that the man who hoards a guinea, is in reality the purchaser of the British manufacture by means of which it was obtained: and then all the gold hoarded in this manner, is but so much wealth vested in a substance comparatively imperishable, and stocked and stored up, as it were, against a future emergency. And to say otherwise is to deny the exchangeable value of gold, and to affirm (what no one will believe) that if we have given the materials of food, or clothing, in exchange for gold, we cannot get the same materials in return.

Not that I mean to hold forth in praise of avarice, or to contend that to lock up the precious metals is at all times better than to give them active employment; but this I maintain, that of two principles, the one good and the other better, that which I here lay down is good, and as a remedy for a redundant currency it clearly is efficacious; because, if all that is excessive in a currency is locked up, it is evident that the excess can do no harm, and in point of fact there is no excess. Again: particular circumstances may arise, in which it may be highly useful to a country to have a pretty considerable stock of the precious metals, and then the principle which I have laid down becomes the best of all. We all know that during the most flourishing period of the Seven United Provinces, gold and silver to an immense amount were deposited in the bank of Amsterdam; and though some of it was constantly employed by means of transfers from merchant to merchant, in the payment of their acceptances (and was therefore in circulation), yet by far the greater part existed in excess, and had no employment whatever. Did this excess do harm?—Certainly not; and why? Because it was not in circulation. Was this excess productive of good?—Undoubtedly; and precisely the same utility resulted from it as would have resulted from any stock of the same value, in any other kind of merchandise; and indeed greater, because the commodity was imperishable, and might be kept for ever without expense, or

the least risk of diminution or deterioration. And, therefore, (and with relation to the present matter), as one individual may be said to be richer than his neighbour, because he has a greater stock of furniture, whether useful or ornamental—and this, notwithstanding he should have more than is necessary—so, *cœteris paribus*, may one nation be said to be richer than another, that has a greater stock of the precious metals, and this notwithstanding it should have more than is necessary with relation to other things; because in addition to every other exchangeable value (and to those things in which both are equal), it will still have one exchangeable value in reserve which the other does not possess.

But these observations apply solely to a metallic currency, and it is evident at first sight that to amass and lay in a large stock of paper is and must be destitute of all public utility.

The second remedy for a redundant currency is, that the excess should be exported; but this cannot be done when the currency is entirely of paper, because, export as much paper as you will, you will get nothing in return. But if the currency be entirely metallic, the operation is easy; the currency by this exportation will be relieved of its excess, and as that portion of currency which still remains in the country after the exportation will be of the same nature as that which is sent out, not the slightest unpleasant consequence will ensue. But if the currency consist for the greater part of paper, and for a small part only of the precious metals, then to get relieved (by means of exportation) from an excess of currency of this nature, becomes a somewhat difficult and delicate operation; because the precious metals alone being sent out, and the paper remaining, that which remains is not of the same nature as that which is exported; then comes a run on the issuers of paper, and this leads to embarrassment and a convulsion.

The third remedy where the currency is partly paper and partly metallic is, to withdraw from circulation and cancel a portion of the paper; not violently, perhaps, but gradually, but at all events sufficiently and effectually, and this at the risk of every kind of inconvenience and even injury to individuals or particular classes; for it is quite impossible that any inconvenience or even injury sustained by individuals or particular classes by reducing the currency, can be equal to the injury inflicted on the community at large by its excess.

Come we now to another point. How much, during the restriction, did it cost the people of this country for the use of the paper of the Bank of England, and as founded alone on the transactions between the Bank and the Government?—About forty millions. Did the matter end here?—Oh, no; the people had also to pay the country bankers. How much did this come to?—Reckoning the gains of all the country bankers, and again the loss to the public by the failure of many: I say, reckoning all this, it amounted to at least thirty millions. Was any thing of this kind necessary?—Not in the least; and this for various reasons which it would be tedious to enumerate, and two will suffice. First, by borrowing paper from the Bank which was to act as money, the Government in reality borrowed nothing but the power of raising the prices of commodities, that is, it borrowed the power to work mischief; and secondly, that at the period of the restriction, at least thirty, and perhaps forty millions of gold coin existed in the country, which immediately got locked up, and the greater part of which was not exported till towards the close of the war; and then the inference is obvious; and it will clearly follow, that while the people had good money of their own, they were still compelled to pay the Bank of England and the country bankers for the use of bad. And this shows us the folly of our doings, and the extreme ridicule of that operation, which, by borrowing paper from the Bank, at once, and as if by magic, rendered all the real solid currency of the country entirely useless.

But why did this gold get locked up, and why would it not circulate with the paper?—Because the law, in defiance of fact and reason, and common sense, declared good gold and bad paper to be of the same value, and made the paper (though depreciated) a legal tender at its full denominative value in all payments. And then the gold fled from the paper as from a contagion; as money it refused to perform its functions—every guinea became a mere medal, and never I believe within the memory of man was the King's picture held in greater veneration: and all this was quite natural, for what man so senseless as to give a good guinea in exchange for a piece of paper and a defaced shilling, which together were perhaps worth only fourteen or fifteen shillings? Talk, indeed, of keeping the gold in circulation with paper! Why, even the Spanish dollar was brought to it with difficulty, and this,

notwithstanding we raised its denominative value to 5*s.* 6*d.*, while its real value was only 4*s.* 4*d.* And as the nature of things is inflexible, and will not bend to the theories of fanciful men, precisely the same thing happened in France during the prevalence of Law's system; and the same thing again, during the reign of the assignats; but no sooner were things left to themselves, and the paper allowed to circulate at a discount, than out came the gold and the silver, and drove away all this vile contemptible trash, and the paper returned to its original uses—that is, *pour en faire des papillotes et des torche-culs.* And would to God! that we had been wise enough to do the same thing, that is, that we had allowed the Bank-note to circulate at its real value, and therefore at a discount; for we may talk for ever, and yet this will be true—that if a thing be worth only fourteen or fifteen shillings, and the law nevertheless fixes its value at twenty shillings, and compels every man to take it at this value, this is a great and crying evil. But allow the note to circulate at its real value, and the evil is remedied; the people would then have seen the folly of all mere paper systems; the gold would have re-appeared, the Bank of England would have been abolished for ever, and the country would have been rid of a most intolerable nuisance.

But so little have we profited by the experience either of ourselves or others, that even now we cannot leave things to themselves, and a great part of the notes at present in circulation proceed from bargains and transactions between the Bank and the Government, and on transactions with individuals in Government securities: and, therefore, these notes, not being founded on any real transactions in commodities, but merely on Government paper, every such operation essentially, and, *per se*, constitutes an excess of currency; and the Bank-note being still (I believe) a legal tender, either we must continue to suffer all the evils resulting from an excessive currency, or the paper must gradually drive the gold out of circulation; unless, indeed, the Bank will condescend to relieve us from a portion of its issues, but this it will be brought to with difficulty; these profits on paper and fictions are fine things, and like the gains of the conjuror, they derive from no other capital than dexterity and the blind unthinking confidence of a multitude willing and even anxious to be deluded, let who will be the operator.

To conclude. Our present scheme of

things is fraught with evil to the community. Viewed with relation to the Bank alone, it is dangerous; and upon no ground or principle whatever (except that the issuers of paper should make large profits at the expense of the public) can it or ought it to be continued.

February 2nd, 1825.

LETTER III.

ON THE PROFITS OF THE BANK DURING THE RESTRICTION.

"J'appelle un chat un chat, et Rolet un fripon."

BOILEAU.

I ASSERTED in my last letter, that during the continuance of the restriction, it cost the people of this country about forty millions, and as proceeding alone from the transactions between the Bank of England and the Government. It has since been hinted to me, that this sum is large beyond all bounds of credibility; and as I do not like to be thought a dealer in mere assertions, I shall now proceed to establish what I have said.

The average of the advances made by the Bank to the Government, from 1797 to 1819, was 17,796,035 ~~1,779,635l.~~ (*Vide* Report of the Lords' Committee, p. 319.)

This, at 5 per Cent., (as the rate of interest then stood) amounts to an annual sum of 889,802*l.*; and at compound interest, during twenty-three years, to 36,864,920*l.* I say at compound interest, because it is evident that in this particular case, in which we are called upon to estimate what the Bank has gained, and the public lost, the basis of our calculation must be compound interest; and this for two reasons.

First, because the proprietors of Bank stock having, in consequence of the transactions between the Bank and the Government, received a great and unexpected addition to their annual incomes, all the excess beyond what that income would have been, if things had remained in their natural state, might have been, and probably was, regularly employed by them in the purchase of Government securities; and, consequently, their excess of gain, during the period of the restriction, either did, or might have accumulated at compound interest; and

Secondly, the sinking fund established by Mr. Pitt being, throughout the whole period of the restriction, in full operation, the sum of 889,802*l.*, which was annually levied by taxes on the people, to be distributed amongst the proprietors of Bank stock, might again, if the currency had been left in its natural state, have been paid to this sinking fund, to accumulate at compound interest in the discharge of debt.

That the debt of this country will never be discharged by the operations of a sinking fund, is evident. But what are we to think of the conduct of men, who first tax the people for the avowed purpose of supporting a sinking fund, and then give away the money to the proprietors of Bank stock?

But the matter did not end here; and in the different transactions between the Bank and the Government, this was not the only loss sustained by the public: for the advances of the Bank were made in a depreciated currency, but the Bank was repaid after the act of 1819, which restored the currency to its original value; and, therefore, taking the average of the Bank advances during the restriction, in round numbers at eighteen millions, and the average price of gold (for example), during the same period, at 90*s.* per ounce, it is exactly as if the Government should lay out eighteen millions in the purchase of gold, at 90*s.* per ounce, for the purpose of re-selling it at 3*l.* 17*s.* 10½*d.*, and which would leave a loss of 2,425,000*l.* A very pretty speculation! And this is to deal in gold with a vengeance.

The sum of 36,864,920*l.* having, therefore, been paid to the proprietors of Bank stock for the use of their trumpery ware, and 2,425,000*l.* being lost by borrowing in bad money, and paying the debt in good, this, together, constitutes a sum of 39,289,920*l.*, and so my position is established; and then I say nothing of the profligately wasteful expenditure to which a mere paper currency must naturally give rise, or of the doubt and uncertainty which a perpetually varying standard necessarily threw over the property and transactions of every man in the kingdom. This was, indeed, a precious state of things: one man worked, and another (without the exercise of any one single power, either bodily or mental) received the wages of his labour; and the quack doctor marched off in triumph with the fee of the regular physician. *Quod capis alter habet.*

And yet, precisely as if all this was foreign

to us, and that the fact of the Bank restriction, with all its circumstances and consequences, was only to be found in the annals of China or Babylon—I say just as if all this did not concern us in the least, we still go on the same way, and the Government jobs with the Bank, and the Bank jobs with individuals. And then, as I have already stated, every such jobbing transaction must *per se* constitute an excess of currency: for, as before the transaction takes place, a certain quantity of money exists, and that the Bank is open for the discount of bills founded on real transactions in commodities, and that the Mint is also open to the coinage of gold bullion for the public—(and that, therefore, every man who has a real value to give for money may always have it, and that consequently, and as compared with commodities, there can never be a real scarcity of money), so after the transaction has taken place do the same facilities still subsist; and, therefore, if to all the money which is (or can be) fairly called into action by commodities, we superadd another quantity of money, which has no original connexion with commodities, but is founded on a mere fiction, it is of plain and undeniable consequence, that there must be an excess. And then, with precisely the same mass of wealth as before, there does ensue a most irregular and vicious distribution; the money prices of commodities rise; all debtors gain, and all creditors lose; and to its injurious effects on our foreign commerce I have already alluded: but amid the general confusion, and, lose who may, it fares well with the dealers in paper.

Our system inverts the order, and turns aside the natural bent of things. We exult in our great wealth: but in all rich countries, says Adam Smith, the precious metals are dear—that is, when compared with other productions, they have a great value in exchange. Now, though this author is often wrong (and must, therefore, be read with caution), yet I am quite sure that he is right here; for to be rich is to have more than is needful, and to be greatly rich is to have much more than is needful. As great wealth, therefore, implies a great surplus, and as where much exists to be given in exchange for the precious metals, much *will* be given in exchange for them, so will it naturally follow, that in all rich countries the precious metals will be dear. Again: take a people that are distinctly and positively poor, and *give* them gold or silver you may; but to *sell* it, to get any thing in exchange for it,

is impossible; because, being poor, they have no surplus; and, therefore, it is clear to conviction, that precisely in the degree that a country is rich will the precious metals be dear. But with us they are cheap, and, therefore either we are not rich, (which we shall be slow to allow) or else our system of currency tends to divert things from their natural course, and by making that cheap which would otherwise be dear, to introduce great uncertainty and confusion.

And now, to conclude. What shall we say to the "Heaven-born Minister," the original inventor of a scheme of things (the restriction), by which the public was taxed for the benefit of a few individuals?—Nothing. The man is dead, and gone to his own place, and I will not reflect on his memory. Let others, if they list, apply the rule—*Involuntarium ortum ex voluntario censetur pro voluntario*—but I will not: and not only do I acquit him of all bad intentions towards the public, but I do also most clearly absolve him from all knowledge whatever of the principle of his own system, of the manner in which it operated during its progress, or of the consequences to which it must lead eventually. In short, I blame nobody: the thing is past, and without remedy, and all censure is unavailing—*extra fortunam est quicquid donatur;* and I simply regret that all the money which has been wasted on the proprietors of Bank stock had not been given to the poor.

March 15, 1825.

LETTER IV.

COMPARISON BETWEEN THE EXPENSE OF A PAPER CURRENCY, AND THE LOSS BY WEAR AND TEAR OF A METALLIC CURRENCY.

"*In hoc signo vinces.*"—Inscription on the Portugal Coin.

WE have treated of the ill-effects produced by the present excessive circulation of the Bank of England, and we have also treated of our paper-money during the long and memorable period of the restriction, and much more might be said on these matters; but your columns are valuable, and we must be brief; come we then now to another point, which I never yet recollect to have seen dis-

cussed, but which is, perhaps, deserving of attention. We find it, then, stated, that by adopting a paper, instead of a metallic currency, we save all the expense of coining, and all the loss occasioned by what is called the wear and tear of a metallic currency. Now the question here, as I understand it, restricts itself to this—whether the mere expense of issuing paper be greater or less than the expense of coining, with the addition of the loss occasioned by the wear and tear of the coin; and it is so restricted and unconnected with any other point, that I shall bring it under discussion.

The expense of coining gold and silver, taking the two metals together, does not, probably, exceed one-third per cent., and certainly not one-half per cent.

The waste and diminution of the coin by wear and tear, is more difficult to estimate: it is probably different in different countries, and must depend, in some measure, on the proportion of alloy in the coins. Pure gold and pure silver waste more by circulation than when mixed with a certain portion of copper; and though I cannot say that I possess any practical knowledge of the subject, yet I have reason to believe that gold, twenty-two parts fine and two parts alloy, and silver, nine parts fine and one part alloy, is the best of all proportions for money, and that which best resists the effects of circulation.* And if this be true, then our gold coin is in this respect as perfect as possible; but our silver coin is something (though not materially) removed from perfection.

But to return to the question. The loss by wear and tear will again be different, according to circumstances and the abundance or scarcity of the currency. With an abundant currency, the loss by wear and tear will, in my opinion, be much less than when the currency is scarce, because in the one case the money will have much more work to perform than in the other. And this is probably the reason why our silver currency, previously to the late recoinage, became greatly degraded. I believe, however, that silver is something less durable than gold, but by being alloyed in a particular manner, it might, perhaps, be rendered equally durable. This is, however, a question which I am not able to determine, nor is it of much importance.

Taking all circumstances into consider-

* See the result of various experiments made by Mr. Hatchett, as detailed in *Phil. Trans.* for 1803.

ation, and making an average of the whole currency of a country, gold and silver, large and small pieces together; and taking it again that the Mint shall be open to the public, and so as that the people may have just as much coin as they choose to bring bullion to the Mint;—I say, taking all these things together, I have good reason for thinking that the wear and tear of a metallic currency will not exceed 10 per cent., and most certainly it will not exceed 15 per cent. in a century: and I found this opinion on different experiments made by the officers of the French Mint.*

* L'administration des monnoies de France a reconnu en 1802, par des experiences faites sur un grand nombre de pieces, que les ecus de six liv. et de trois liv. fabriqués depuis 1726, jusqu'en 1793, avoient perdu de leurs poids, les premiers $1\frac{3}{4}$ pour cent. ou 0.0175, et les seconds 8 pour cent. ou 0.08, y compris la moitié de la tolerance, ou dix-huit grains par marc. Elle trouva aussi a la meme epoque que les Louis fabriqués depuis 1785 jusqu'en 1793, avoient perdu de leurs poids 1 pour cent. ou 0.01, y compris une partie de la tolerance qui etait de quinze grains par marc. Cette perte de poids et les fraix de fabrication des vieilles pieces doivent etre pris sur les impots, et ne peuvent etre exigés des porteurs d'especes—'Notions simples sur le monnoies, par M. Mongez.'—Vide Bonneville XXVI.

N.B. Taking these experiments, and what is here stated, for the basis of our calculations, we shall find that the average loss on gold and silver money by wear and tear amounts to $8\frac{1}{4}$ per cent. in a century. From the experiments made by

Not that we are to suppose that with a Mint open for the coinage of both gold and silver, and wise laws that should prevent any coin from passing current that was depreciated beyond a certain moderate extent, there could ever be any coin in circulation that was greatly deteriorated; for such coin, not being current, and being in fact mere bullion, would be either exported or taken to the Mint to be recoined, and so that constant provision would be made for the integrity of the currency. It is to this point, and not to idle theories about standards of value, that a wise Government will direct its attention; and this point it will effectually secure by giving every possible facility to the coining of money.

Now let us compute the expense of a paper currency; and then, taking our system during the restriction for a basis, we shall find that paper costs money; and that engraving and printing also costs money, and

Mr. Hatchett at the request of the late Lord Liverpool, it also appears that the waste of coin by mere circulation is very trifling. Including the expense of coining, it will be seen that I have taken the loss at 15 per cent. in a century—that is, at nearly double what it probably is in reality; and this not in opposition to the great authorities I have quoted, but because, in arguing with the advocates of a paper system, I am always willing to concede more than they can require.

that the convenience of the public requiring that Bank-notes should be frequently exchanged and converted from small into large, and *vice versâ*, the expense altogether is not inconsiderable. Then we have a great number of clerks, and a variety of other expenses incidental to so vast an establishment as that of the Bank of England; and so that we shall probably find that the total expense of the Bank of England during the restriction will not have been less than 1 per cent. annually on the amount of its issues. But take the expense of issuing notes at $\frac{3}{4}$ per cent.—take it even at $\frac{1}{2}$ per cent., and then, by comparing the expense of a paper currency of twenty millions with the expense of coinage, and the wear and tear of a metallic currency to the same amount, let us see how the account will stand at the expiration of twenty years.

Expense of coining 20,000,000*l.*, at $\frac{1}{2}$ per cent.	£100,000
The loss by wear, being according to the highest estimate, 15 per cent. in 100 years, this will give 3 per cent. in twenty years, and on 20,000,000*l.* will amount to . . .	600,000
	£700,000

On the other hand, the expense of issuing Bank-notes amounts at the most reduced rate to $\frac{1}{2}$ per cent. per annum; this on 20,000,000*l.* will amount to 100,000*l.* per annum, and in twenty years will form a sum of 2,000,000*l.*; and so that the expense of issuing paper will exceed the expense of coinage, and the loss by wear and tear of the coin, in a sum of 1,300,000*l.*

This, then, will be the result of the whole —that supposing on the one hand a paper currency to be issued at an annual expense of only ½ per cent., it would on the other require an expense of coinage and a loss by wear and tear to the extent of 10 per cent. in twenty years, before the expense of paper would be reduced to the expense of a metallic currency: or, in other words, the expense of a paper would exceed the expense and loss by wear and tear of a metallic currency by 7 per cent. in twenty years, or 35 per cent. in a century.

But if we take the annual expense of issuing paper at ¾ per cent., this upon 20,000,000*l.* will, at the expiration of twenty years, amount to 3,000,000*l.* which is equivalent to an expense of coinage and loss by wear and tear, during the same period, of 15 per cent. on a metallic currency: and so that the expense of a paper would exceed the expense and loss by wear and tear of a metallic currency by 12 per cent. in twenty years, or 60 per cent. in a century.

And that, finally, if we take the annual

expense of paper at 1 per cent., this upon 20,000,000*l.* will, at the expiration of twenty years, amount to 4,000,000*l.*, which is equivalent to an expense of coinage and the loss by wear and tear, during the same period, of twenty per cent. on a metallic currency. And if, taking the expense of issuing paper at 1 per cent. per annum, we carry on the calculation for 100 years, the mere expense of issuing 20,000,000*l.* of paper during that period will amount to the whole of its denominative value; and the expense of coinage and the loss by wear and tear, during the same period, on a metallic currency not exceeding at the utmost 15 per cent.; the expense of paper will exceed the expense of a metallic currency in the enormous sum of 17,000,000*l.*

And therefore we are much mistaken when we suppose that the expense of issuing paper is less than the expense of coinage and the wear and tear of a metallic currency.

And yet there have been men amongst us who have carried their ideas of the cheapness of a paper currency so far as to imagine that it might even be extended to paper half-crowns and shillings with great advantage to the community; not reflecting that in the course of a very few years the mere expense of such a currency would be more than equal to the whole of its denominative value.

It is not impossible, however, that precisely to this pass would matters have come in this country, if the war had continued, and the law which made a Bank-note (not convertible into cash) a legal tender in all payments had remained in operation; and this not from poverty, nor from any disinclination on the part of the people, if left to themselves, to resort to a metallic currency; but because it is totally impossible that gold and silver should remain in circulation with a paper money, which, while it is continually and progressively declining in value, is still made a legal tender, and ordered to be taken at its full denominative value in all payments.

Now to all this it will be objected, that though the expense of keeping up a paper currency be much greater than that of a metallic, yet that the first cost of the material is much less, and that herein consists the great advantage of a paper currency. But this is a very different question, and which you and I will take up some months hence, when we shall be more at leisure. Our case here will be much stronger, and we shall be able to prove beyond the possibility of doubt or contradiction—,

1. That nothing is or can be gained by

substituting the less for the more expensive material—that is, paper for gold and silver; but on the contrary.

2. That the direct effect of a paper currency is to set limits to the employment of labour and capital.

3. That the gains of those who issue paper are a tax on the productive classes, and a diminution of the real resources of the state.

All this, as already said, will we make clear at some future period of leisure; and if I at all allude to any of these points in the present letter (which I may perhaps have occasion to do), it shall be but slightly.

Come we now to other matters; and then I say that, taken as a whole, (that is, coupling our Mint regulations with the monopoly of the Bank of England), our present scheme of currency would disgrace a pedlar. Look at the fact. During 1818-19 we sent out gold to exchange it for silver. From 1820 till towards 1824, we sent out silver to exchange it for gold: that is, in both cases we sent out money (or, which is the same thing, the materials of money) that we might receive money in return, and thereby lost all the charges of transport both out and home; and so that, in point of fact, our conduct has been precisely that of a man, who, fresh from his studies in the new college in St. George's-fields, should take it into his precious noddle to send a cargo of corn or sugar to France for no other purpose than to get it back again; and all this proceeded from our Mint regulations. Now, however, the scene is varied a little, and both gold and silver are exported, being driven out by the notes of the Governor and Company of the Bank of England. What fancy will next spring in our heads it is impossible for me to determine; but of this at least I am certain, that as relating to the principles of currency every thing worth knowing was known 4,000 years ago; and, therefore, instead of making experiments, and listening to the dreams of idle speculation, we should do well in my opinion to attend (and this solely) to plain matter of fact. But, *ad nova semper hians*.

But what, if these novelties are expensive? —What, if it can be shown that these precious Mint regulations have cost us during the last four or five years upwards of 500,000*l.*, and this from sheer innate vice and defect?—What, if when they succeed, and work the best, they are then productive of the greatest mischief, and act as a bar to industry, and a tax on the manufacturers of Great Britain?—What, in short, if the whole system be false;

not simply when tried by facts (for this test it will not stand for a single instant), but in theory, speculatively, and taking up the question by way of amusement? And yet, all I say is true, and may, (if necessary) be so clearly proved, that a child shall understand the whole proposition.

The system, however, has its advantages: it fits us exactly; and then we have it so snugly all to ourselves. In no other country upon earth will it ever be adopted from choice, and whoever will be at the pains to study Abraham de Moivre (*Doctrine of Chances*), or the illustrious Abulfeda, in his *Dissertation on the Atoms of Epicurus*, will find that a very considerable period must elapse before it can be stumbled upon by accident.

Now, why do I mention these things, and at this time?—Because I am given to understand that it is intended to assimilate the currency of Ireland to that of Great Britain; and therefore I think it will not be amiss that we look to the state and security of the present building, before we construct another on the same principle. Talk of a currency for Ireland! Look to your currency at home; see that your Mint has something to do; if not, give up the establishment, and leave the currency of the two countries to the Bank of England, and the

Bank of Ireland, and the country bankers; and you may take my word for it you will have money enough, not only for the present, but for many succeeding generations; but I will not be answerable for its quality.

But, whatever the system in other respects, and were our Mint regulations as perfect as they are absurd and ridiculous, still, as long as the connexion between the Bank and the Government subsists, and that the Bank is allowed to make advances on Government securities, either to the Government itself, or to individuals, it is quite impossible that the currency of the country can be in a sound healthful state; and just so long will the Bank of England be a public nuisance. I say a public nuisance; for what greater nuisance can be imagined than that an establishment should have the power (not by means of its capital, but by the expansion or contraction of its issues of mere paper), either to raise or lower the money value of all property, both real and personal, and according to its good will and pleasure to influence and regulate the transactions of every member of the community?

But destroy the connexion between the Bank and the Government, bring the Bank back to sound principles, and debar it (as

was formerly the case) from all traffic in and advances on Government securities, and the evil is removed; and then I will undertake to say, that the Bank shall never be able (permanently at least) to keep 8,000,000 of notes in circulation which shall not be founded on the precious metals. And this shows us at once that a paper currency is not the choice of the people; but that by force, by artifice, and not as arising from *bona fide* transactions between the Bank and the public, but from transactions between the Bank and the Government, a mass of paper gets into circulation which must necessarily drive the gold out of the country.

By dissolving the connexion between the Government and the Bank, we at once determine the question (and this by the mere fact) whether a paper or a metallic currency be the most advantageous to the community; for, if the people should prefer a paper currency, they will regularly take bills to the Bank to be discounted; and if a metallic, then they will export commodities, and bring in the precious metals, and take them to the Mint to be coined into money; and I repeat it, that generally speaking the latter will be the course pursued; and this for the best of reasons, because it affords the greatest encouragement to the industry of the productive classes, and relieves them from a tax which they would otherwise have to pay to the issuers of paper. Indeed, indeed, our conduct is ridiculous. We determine *à priori* that of all possible systems of currency ours is the best; and then, in order to prove the truth of the proposition, we forcibly prevent the people from having any other. Whereas, if things were left to themselves, the fact alone (as already said) would decide the principle, and that would be the best system of currency which the people should adopt of their own free choice and inclination. But then less paper would circulate, and the Bank dividends would be reduced, and the Bank charter would be of little value, and the prices of commodities would decline, and honest men with moderate capitals would flourish: all of them very desirable things, no doubt; but such is our infatuation, that if ever they are accomplished in this country, it must be by miracle.

May 9th, 1825.

LETTER V.

ON THE EXCESSIVE CIRCULATION OF THE BANK OF ENGLAND, AND MEANS FOR ITS REDUCTION.

"El Herrero y su dinero, todo est negro."—Spanish Proverb.

If we except those who gain by our present fraudulent delusive system of currency, it is, I believe, pretty generally admitted that the excessive circulation of the Bank of England is highly injurious to the public; and therefore the only question to determine is, in what way this circulation can be reduced.

The concerns of the Bank are so intimately blended with the operations of the Government, (and this to the disgrace of both), that the Bank has not the control of its own affairs. Very few (perhaps not to the extent of 2,000,000*l.*) of the Bank-notes, either in existence or in circulation, are founded on transactions between the Bank and the public, but on Government securities—that is, on the annuity purchased of the Government for defraying of the naval and military pensions, on advances for the payment of the dissentients in the reduction of the 4 per cents., and on the usual and ordinary advances to the Government on Exchequer Bills. And here we must always bear in mind, that the advances of the Bank on the score of the naval and military pension scheme already amount to 5,787,199*l.*—that they will in July amount to 6,917,569*l.*—that they are progressively increasing—that they will reach their climax in the year 1828—and that they will then amount to 13,089,419*l.*

We get no information from the Bank, and we get no information from the Government, and therefore we cannot speak in the last degree of accuracy; but, as arising from the different transactions which I have enumerated, I have not the least doubt that the actual amount of the Bank advances to Government is at least 18,000,000*l.*—a most enormous sum, particularly when we come to reflect that Mr. Pitt, merely by borrowing 10,000,000*l.* from the Bank caused it to stop payment; and this too, at a period when the quantity of gold in the country was three, and perhaps four, times greater than at present.

This being the state of things, we may at once perceive that the nature and foundation

of our present currency is precisely the same as during the war: that is, it is a Government paper money, but with this difference—that the Bank now pays in gold; and of this some people think a great deal, but of which I think but little, and all I say is, that it is mighty well as long as it lasts; but unless we change our measures, it cannot last long. The amount of gold in the coffers of the Bank cannot, I think, exceed 5,000,000*l.*, and it probably falls much short of this sum; and therefore, if the excess in the Bank circulation be equal to or greater than the whole amount of the gold in its coffers, a suspension of cash payments is more than probable; and if, while the Bank circulation is in excess, the circulation of the country bankers should also be in excess, this suspension, sooner or later, is inevitable—I mean, without a reduction of the Bank issues; and it is of this reduction we have now to speak; and in my view of the case a reduction of the Bank circulation can only be accomplished in some or all of the following modes:—

1. By a public loan, and therewith to pay the Bank.

2. By the sale of Exchequer-Bills for the same purpose.

3. By applying the whole of the sinking

fund in discharge of the debt due to the Bank.

4. By a sale, either in whole or in part, of the annuity purchased by the Bank of the Government.

But of all these methods the most simple and effectual is for the Government to raise money by loan, and at once to pay off the whole of the floating debt due to the Bank and to get rid of the connexion.

And if it should be objected that this will occasion a decline in the public funds, then I answer—

1. That this in itself, and in every public point of view, is of no importance, for get consols (if you can) up to 100, and the country will not be the richer; send them down to 50, and it will not be the poorer: and whatever the burden of the national debt, as this burden resolves itself into the payment of an annuity, the capital value of this annuity can be of no public importance unless with a view to the operations of the sinking fund; and then the less the capital value, (that is, the lower the price of the funds) the greater will be the power of the sinking fund in the redemption of debt.

2. That, from a decline in the public funds, not proceeding from political causes, we must

infer a rise in the rate of interest; and as the rate of interest is governed by the rate of profit on the employment of capital, and that an increasing rate of profit is highly favourable to the acquisition and accumulation of capital; so does it argue a much sounder state of things that the rate of interest should be gradually advancing, than that it should gradually recede. But this is the error which constantly runs through our whole system of finance. We say that it is desirable that money should be cheap, and then, not satisfied with leaving things to the slow progressive action of natural causes, we endeavour to bring about this cheapness by artificial means, and so we work mischief. And then, so erroneous is our doctrine, that in every truly sound flourishing state of things money is not cheap, but dear; and this in a double sense—dear when borrowed, and so that much shall be given for the hire of it; and dear again when the comparison is direct between money and commodities. And this is no speculation, but plain simple fact, to which all history bears witness.

3. That at all events it is much better that the public funds should decline at once, than that the Bank should stop payment, as in that case the decline would be much more con-

siderable; for what man in his senses would invest money in securities, the dividends of which should be payable in a rotten paper money, progressively declining in value, and which eventually, perhaps, would not be worth 15*s*. in the pound?

The great thing to be apprehended in raising money by loan, and that which would more particularly interfere with our system of finance, is a decline in Exchequer-Bills; and the way to obviate this is to fund a portion of them; and if this should not be effectual, then to exchange the whole of them for bills bearing a higher rate of interest; and to do this will be wisdom in any case. It is impossible to control the tide of events, it is madness even to attempt it; and, do what we will, Exchequer-Bills, bearing the present low rate of interest will in all probability be at a discount in less than a twelvemonth, unless, indeed, the Bank, instead of reducing, should gradually increase its issues of paper. But then a suspension of cash payments is inevitable; and then good night at once to Exchequer-Bills, and Consols, and every other description of Government security.

This is my view of the case; and I say, that unless a reduction be made in the circulation of the Bank to the extent of at least six mil-

lions, there is neither health nor safety in the currency.

See, now, how things are perverted from their original purposes; the avowed object in the institution of the Bank was, that a facility should be afforded to the merchants of London by the discounting of their acceptances; but now the Bank is become a mere instrument in the hands of the Government, and not one tenth part of its notes is founded on transactions with the public—that is, on bills discounted for the merchants.

Consider, again, how we have degenerated from the plain straight-forward solid sense of our ancestors. In the good old times of the Bank, whenever the Government wanted to borrow of the Bank, the Directors applied to the Bank Proprietors for an increase of capital, and then the whole transaction was in the nature of a public loan, a real capital was advanced, and the currency was not disturbed; but no increase of capital is called for now; the Bank Proprietors are never consulted; and millions upon millions are advanced to Government without the least regard to consequences.

And not only is this state of things to be continued, but it would appear that every possible extension is to be given to the system, and that Ireland is also to be furnished with a regular banking apparatus: that is, I understand the matter to be this—A banker's shop is to be opened in every village in Ireland for the circulation and distribution of notes; and as advances (in paper) are to be made on every species and description of property, it is not difficult to foresee how all this will end. Alas! alas! that at this time of day there should men be found, who fondly believe that every increase of paper is an increase of capital, and that to multiply paper is to multiply resources.

June 13, 1825.

LETTER VI.

ON THE EXPORTATION OF GOLD.

"—Je dis la chose comme elle est."—VOLTAIRE.

THE present price of standard gold bullion is 3*l.* 17*s.* 10½*d.* per ounce, and considering

that the delay in coining at the Mint is equivalent to a small loss of interest on the outlay of capital, this price for standard gold is in reality something above the Mint price; but as long as the Bank continues cash payments, gold bullion, whatever the quantity in the market (which at present is very trifling), cannot well exceed the present price, because at this price of 3*l.* 17*s.* 10½*d.* per ounce, gold sovereigns may be had at the Bank.

The exportation of gold (particularly to France) goes on regularly, and the exchange on Paris remains below par. In short, whether with relation to the exchanges, or the price or exportation of gold, the position of things during the last six months has varied but little.

The Bank circulation since last year has not diminished: on the contrary, it has increased, and, as a natural consequence of the cheapness of money, our imports increase and our exports diminish; and then various schemes are afloat in order to effect an eternal separation between fools and their money.

Things standing in this condition, it behoves us, before it be too late, to look to our stock of gold; and here our task is delicate, for if, in order to quiet the public mind, we give the go-by to the question, and swear off hand as it were, and without entering into particulars, that we have a great deal of gold, then we lie, and are not to be trusted: and if, on the other hand, we say, and even prove beyond the possibility of doubt, that we have but little, then we destroy various pleasing illusions, and with the best intentions in the world, we make to ourselves a host of enemies.

> "L'homme est de glace aux verités,
> Il est de feu pour le mensonge."

But come what may, truth and plain dealing must be adhered to, and therefore I shall very frankly tell you all I know of the matter.

In the month of January or February last year, and before any exportation of gold had taken place, it was the constant daily complaint of the Bank Directors that they had too much gold, and the amount of this gold in coin and bullion was then stated to be about 12,000,000*l.*—a sum large in itself, and considering that, with the exception of a capital of between four and five millions, the Bank has no means of obtaining gold but by an issue of notes—considering, again, that the Bank-notes in circulation during the month of January, 1824, amounted to about 20,000,000*l.* —and, finally, considering that a very great

proportion of these notes rested on Government securities—I say, considering all these things, it is quite impossible that the stock of gold at the Bank in the month of January, 1824, could exceed 12,000,000*l.*; and the probability is, that it fell one or two millions short of this amount. As it has, however, been stated most confidently, that the Bank, at the period alluded to, possessed 12,000,000*l.* of gold, we will at once put an end to all dispute by taking this sum as the basis of our calculations. It is admitted, then, that on the 1st of January, 1824, the Bank was in the possession of gold coin and bullion of the value of 12,000,000*l.*

Now, according to a return made to the House of Commons, it appears that the quantity of gold exported, during the year 1824, was 1,134,407 ounces, being of the value of about 4,400,000*l.*; and, according to a second return, it appears that the quantity of gold exported from the 5th of January to the 5th of April, of the present year, is 536,673 ounces, being of the value of about 2,100,000*l.*; and as the exportation of gold has regularly continued up to the present period, if we add to the official accounts the quantity of gold exported in the interval between the 5th of April and the present date, we shall find that the value of the gold exported during the present year will amount to about 4,000,000*l.*

But these returns, which are made by the Customs to the House of Commons, neither do nor can include the whole of the gold exported: for as the exportation of gold is free, and that it pays no outward duty, it is quite clear, that what with smugglers, travellers to the continent, and captains of ships, who take home the balance of their freights in gold, the quantity of gold exported must greatly exceed the returns made from the Custom-house; but of this I shall say nothing, because, while gold has been exported in large quantities, some small quantities may also have been imported, though, from the state of the exchanges for this long time past, this could have been but to a very trifling extent, and can never be equivalent to the quantity exported, and which does not appear in the official returns, because it was never entered at the Custom-house.

This is the account; and having laid things carefully together, I have little doubt but it is correct.

Seeing, therefore, that the stock of gold in the Bank of England, on the 1st of January, 1824, was 12,000,000*l.*—seeing that gold of

the value of upwards of 8,000,000*l.* has since been exported—seeing that the exportation of gold (according to the official returns) proceeds at the average rate of about 700,000*l.* per month—seeing that the circulation of the Bank of England since last year has not diminished but increased, and seeing that no measures are in progress to reduce this circulation; seeing, I say, all these things, I think we may very fairly calculate on another suspension of cash payments.*

July 9, 1825.

* Shortly after this the Bank called in a portion of its issues; the prediction contained in this Letter was, however, in substance verified in the following month of December, when the stock of gold in the coffers of the Bank was reduced, if I am not mistaken, to less than 300,000*l.*, and with a circulation of 20,000,000*l.*, whether the Bank possessed this paltry stock of gold, or none at all, is the same thing. More might be said on this matter, but I forbear.

LETTER VII.

OBSERVATIONS ON THE CIRCULATION OF THE BANK OF ENGLAND, AND ON THE CURRENCY.

" Peor es meneallo amigo Sancho."—CERVANTES.

I HAVE addressed several letters to you on the state of the currency of this country, the object of which was to point out the evil resulting from an excessive paper currency, and then to establish the fact, that this evil existed in the circulation of the Bank of England, which I maintained did greatly exceed what the fair legitimate commerce of the country required: the subject has also been handled by others, till at length (and deservedly) it is become a public question of some importance.

Pending these discussions, two General Courts of Proprietors of Bank stock have been held at the Bank of England; the one on the 17th of March last, and the other on the 22d of September; and on what took place on these two days, as I find it detailed

in your journal, I shall take the liberty to make a few observations.

At the Court held on the 17th of March, it was stated by the Governor of the Bank, " that the amount of Bank-notes then in circulation was something under 20,000,000*l.*, that the amount of the Bank issues had not increased within the last six months, nor was it believed to be larger than the real business of the country required."

At the Court held on the 22d of September, it was stated by the Governor of the Bank, " that the amount of Bank-notes then in circulation was 18,200,000*l.*, that this was about 400,000*l.* less than it was this time twelve-months, and that consequently there has not been within the last year any great change in the amount of the circulation."

In reply to some further questions, the Governor stated, " that the Court of Directors had gone through their business regularly and quietly, in a steady and silent manner, without listening to evil or good report; that they had steadily and justly performed their duty, and that whatever fluctuation had prevailed in the money-market had not been occasioned by the Bank of England."

From what took place at these two meetings or courts—call them which you will—we have, therefore, learned a great deal; for in March, we are assured that there had been no increase of the currency within the preceding six months; and, in September, we are informed that within the last year there has been no great change in the amount of the circulation; and, therefore, as both assertions relate to the same period of time, the one merely serving to confirm the other, it will necessarily follow, that amid every fluctuation in the money-market during the last twelvemonth, the paper circulation of the Bank of England has continued invariable, and that all our complaints on the state of the currency, and the conduct of the Bank Directors, are without foundation.

But, in the whole of these proceedings there lurks a fallacy, and while we are made acquainted with some one particular fact which may be true, but which has no bearing on the question, every other fact is concealed from us. Thus we are told, for instance, that the present amount of the Bank issues is 18,200,000*l.*, and that at the same period last year it was 18,600,000*l.*; but what the circulation has been during the intervening period we are not informed, except that we have the declaration of the Governor, that within the

last year there has not been any great change in the amount of the circulation." But man's memory is treacherous; millions of figures, and the circulation of the Bank of England during a whole twelvemonth, cannot safely be intrusted to the brain of any man, however great his powers of recollection, and therefore the worthy Governor may have forgot, or he may be mistaken; and at any rate this is a matter of too great importance to be allowed to pass without proof. Let us, therefore, see how the fact stands, and whether (for this alone is the material question) in the last twelvemonth the circulation of the Bank of England has not been materially increased, and afterwards as materially reduced; and if I go into the matter at some length, and place it in various points of view, the importance of the inquiry is a sufficient excuse.

During the last session of Parliament an account of Bank of England notes in circulation, commencing the 5th of April, 1820, and ending the 2d of April, 1825, was returned to the House of Commons, and ordered to be printed; and certain averages or general results taken from this account were published in the different journals of the metropolis, and by which it appeared that—

The average amount of Bank-notes in circulation from April, 1820, till April, 1823, was	£20,603,548
That from April, 1821, to April, 1824, it was	18,984,499
And from April, 1822, to April, 1825, it was	19,092,005

And therefore from these accounts the public was induced to believe, that so far from any increase having taken place in the circulation of the Bank of England, it had, on the contrary, decreased since 1823, and had remained without alteration since the preceding year 1824; and then it necessarily followed that all the complaints of an excessive circulation, and of the conduct of the Government and of the Bank of England, were without foundation.

Now the statement published in the different journals is correct: that is, the average amounts are the result of the particulars on which they are founded. But it is one thing to tell the truth, and another to tell the whole truth; and the average of various quantities at different periods of time will throw no light on any particular fact or quantity at any particular period of time: and it having been objected to the Bank that its issues were then excessive, and that as a consequence of this, the gold coin of the country was regularly

exported; it could be no answer to this objection to furnish the public with certain average amounts founded on a circulation which reached as far back as the year 1820; that is, to a period, when in point of fact the Bank had not even resumed cash payments. But the trick passed, for we are fond of average results; we like truth in the gross, and on all occasions *l'a peu près* is our motto.

Now let us see how the fact really stood; and then, from the same official documents which give us those general results to which we have already alluded, we learn that

The amount of Bank-notes in circulation on the 5th of April, 1823, was	£16,945,840
That the amount on the 3d of April, 1824, was	19,313,989
And that on the 2d of April, 1825, it was	20,328,979

And this at once presents us with a very different picture; and while, according to the averages published in the different journals of the metropolis, we should be induced to believe that between April, 1823, and April, 1825, there had been a reduction in the Bank circulation of about 1,600,000*l.*, there is, in reality an increase of about 3,500,000*l.*; and farther, that while, according to the same system of averages, it would appear that the

Bank circulation in April, 1824, and April, 1825, was as nearly as possible the same; yet in reality we find that the Bank circulation in 1825 exceeds the same circulation in 1824, in the sum of 1,100,000*l.*; and therefore I come to the conclusion that these averages and general results were got up with a view to mislead the public.

But this is not all; and, to give it no worse name, the folly of the Bank Directors is without example. It is notorious, that towards the middle of the year 1824, the gold coin of the country began to be exported, that it continued to be exported in large quantities up to the period of the Bank meeting in March; that without a reduction in the circulation it was likely to continue, and, in point of fact, did continue; and so that during the year 1824-25, gold of the value of upwards 8,000,000*l.* was sent out of the country. Now, in the natural order of things, when notes are sent into the Bank to be exchanged for gold, if these notes are not re-issued for other purposes, the exportation of gold is checked, because the amount of currency is reduced, and things soon settle themselves on a solid foundation. But here we find, that notwithstanding at the period of the Bank meeting in March, the gold had

been exported for nearly a twelvemonth, and this in large quantities, yet the circulation of the Bank, so far from having diminished, had increased; and, therefore, it is evident, that as fast as notes were sent into the Bank to be exchanged for gold, they were re-issued for other purposes: and then it follows, that as the excessive circulation had occasioned the exportation of the gold, so, with the same undiminished circulation, would it still continue to be exported; and, accordingly, it was exported in still greater quantities. At length the Bank Directors were alarmed, and they began to reduce their issues, as we shall have occasion to show hereafter.

One word more on what passed at the Court held in March, and I have done. It was stated by the Governor, that the amount of Bank-notes then in circulation was something under 20,000,000*l.*, and that the amount of the Bank issues had not increased within the last six months—a statement most plainly and manifestly incorrect, because, on the 26th of February, 1825, the amount of Bank-notes in circulation was 21,060,144*l.*, on the 5th of March it was 20,342,416*l.*, and on the 17th of March, according to the Governor's own statement, it was something under 20,000,000*l.*; but on the 25th of

September, 1824, the circulation was but 18,715,299*l.*, and on the 2d of October, 1824, it was 19,065,322*l.*; and, therefore, there had been a considerable increase in the circulation.

Come we now to the proceedings of the Court held on the 22nd of September, and then we find it stated, that within the last year there had been no great change in the amount of the Bank circulation. Now let us see how this is borne out by the fact, and to this effect we will take three periods just before the payment of the quarterly dividends:—

On the 2nd of Oct., 1824, the amount of Bank-notes in circulation was	£19,065,322
On the 1st of Jan., 1825, it was	20,756,948
On the 2nd of April, 1825, it was	20,328,979

With the precise amount of Bank-notes in circulation in the beginning of July, 1825, I am not acquainted, as the return to Parliament only goes to April; but the items I have put down are quite sufficient, and they clearly show that, dating from the month of October till the month of January, the circulation had increased 1,700,000*l.*; and that from the month of October till the April following, it had increased 1,400,000*l.*: and yet we are gravely assured by the Governor of the Bank of England, that within the last

year there had been no great change in the amount of the circulation.

Now let us view the matter in another light, and let us see what was the amount of Bank-notes in circulation during the years 1823 and 1824; and this account I shall state according to official practice—that is, I shall put down the amount of Bank-notes in circulation during the months of February, May, August, and November, of each year, and then compare the one year with the other:—

BANK-NOTES IN CIRCULATION.

1823. Feb. 1	£18,652,607	1824. Feb. 7	£20,309,188
8	18,404,360	14	20,357,168
15	17,802,629	21	19,866,854
24	17,839,486	28	19,736,986
May 3	18,994,049	May 1	20,514,142
10	18,585,349	8	20,289,684
17	18,464,533	15	19,961,919
24	17,971,839	22	19,719,356
31	17,425,713	29	19,149,378
Aug. 2	20,221,912	Aug. 7	21,312,124
9	19,966,005	14	20,960,542
16	19,716,775	21	20,535,550
23	19,582,348	28	20,293,326
30	19,231,240	Nov. 6	21,413,902
Nov. 1	21,779,665	13	21,411,425
8	20,679,004	20	20,817,379
15	20,353,142	27	20,850,260
22	19,820,208		
29	19,400,803		
Average of 1823.	£19,204,825	Average of 1824.	£20,441,128

In one year, therefore, there was an augmentation in the currency of upwards of 1,200,000*l.*; nor did it stop here; and in the month of February, 1825, the circulation of the Bank of England was increased still further, as will be seen from the following accounts;—

1825. Feb.	5	Bank-notes in circulation	£21,931,937
	12	. . . . .	21,307,879
	19	. . . . .	21,234,673
	26	. . . . .	21,060,144
		Average amount	£21,383,658

Now the average amount of the Bank circulation in the month of February, 1823, was 18,174,770*l.*, and in the month of February, 1824, it was 20,067,544*l.*; and, therefore, comparing 1824 with 1823, there is an augmentation of about 2,000,000*l.*; and comparing 1825 with 1824, there is an augmentation of 1,300,000*l.*; and, finally, if we institute a comparison between 1823 and 1825, the circulation of the latter year presents us with an increase of 3,200,000*l.*

Having treated very fully of the increase in the Bank circulation, let us now say a word on the subject of its reduction.

We are informed that the present amount of Bank-notes in circulation is 18,200,000*l.*

and we now approach the payment of the dividends; but on the 17th March last we were informed by the Governor of the Bank, that the amount of the Bank circulation was about 20,000,000*l.*; on the 26th March it was 19,611,349*l.*; and on the 2nd April it was 20,328,979*l.* Now, at the Bank meeting in March precisely the same dividends were approaching as at the meeting in September, and therefore the two periods exactly correspond; and, therefore, supposing no alteration to have taken place, the circulation in September, and up to the beginning of the present month of October, would be equal to the circulation in March and up to the beginning of April, and yet there is a diminution of about 2,000,000*l.*: and so that, notwithstanding every assertion to the contrary, and though these assertions proceed from the highest authority, it is nevertheless quite certain that our currency during the last twelvemonth presents every feature of change, vicissitude, and fluctuation; it has been increased, it has been diminished, and before we get to a sound state of things, it must, probably, be still farther diminished; and for this I will state my reasons.

The present amount of Bank-notes in circulation is 18,200,000*l.*; but this is just before the payment of the dividends, when the circulation is naturally at the lowest, and therefore without a farther reduction that circulation which immediately before the payment of the quarterly dividends amounts to 18,000,000*l.*, will give an average circulation throughout the year of about 20,000,000*l.*; and taking this sum for the basis of our calculations, we shall, I think, be enabled to ascertain with tolerable accuracy the whole amount of what may be termed the legal currency of the country; and then, by comparing it with some former period, come to a conclusion as to whether it is or is not in excess.

Bank-notes in circulation . . .	£20,000,000
Total amount of gold currency in the kingdom, about	10,000,000
Total amount of silver currency, about	7,000,000
	37,000,000
Deduct the gold in the coffers of the Bank, about	4,000,000
Remain	£33,000,000

And so that, assuming that no farther reduction is to take place in the Bank issues, the whole of our circulation (apart from the notes of the country bankers) may be estimated at 33,000,000*l.*

Now, in this estimate there can be no mistake except in the quantity of gold, and this cannot be much: nor in any sense can the error, supposing it to exist, be of much importance to the present inquiry, for I have all along been treating of the effect produced by an excessive currency, and then I naturally bring in the whole of the currency, whether of gold, or silver, or paper; and, therefore, if the quantity of gold in the coffers of the Bank be greater than I have stated, then it is fair to presume that the total quantity of gold is also greater, and this gives the same final result; and if the total quantity of gold be less than I have stated, while the gold in the coffers of the Bank is also less, this again gives the same result. If my estimate of the total quantity of gold be correct, but that the gold in the coffers of the Bank should be less than I have stated, then the total amount of currency in action goes beyond my estimate. And, finally, if my estimate of the quantity of gold in the coffers of the Bank be correct, but that the total quantity of gold is greater than I have stated, then this again is in favour of my position, because it goes to an increase in the total amount of currency in action. And, therefore, there is but one thing to militate against my position, and that is, that upon a supposition that my estimate of the total quantity of gold is correct, yet that a larger proportion than I have assigned remains with the Bank, and less with the public; and this I take to be impossible. In short, the only material point to determine here, is the amount of gold in circulation, and the quantity of gold in the coffers of the Bank (be it great or small) has no bearing on this part of the inquiry; for this gold is not in action, and can therefore have no influence on the transactions of the community. *Idem est non esse et non apparere.*

Having seen what is the amount of our currency at the present period, let us now take a survey of our currency during the war; and here my task is easy, and I shall merely have to transcribe what I have stated on a former occasion.

The highest point which our paper currency reached during the late war was in the year 1813. During this year the enormous sum of 27,000,000*l.* was raised by loan for the public service, and taxation was at the highest; in short, things were precisely in that condition in which there was full employment for money.

Now the average amount of Bank-notes in

circulation in the year 1813 was 23,612,300*l.*, and there was not a particle of gold coin in circulation. The average price of gold during the year was 5*l.* 6*s.* per ounce, and therefore the value of the Bank-note was 14*s.* 8*d.*; and so that the real value of the 23,612,300*l.*, when reduced to gold, or into paper on a par with gold, was 17,315,686*l.* 13*s.* 4*d.* Add now to this, about five millions (at the utmost) in Bank-tokens and a defaced worn-out silver currency, and you will have a total amout of about 22,000,000*l.*; and the amount of our present currency being 33,000,000*l.*, and this at a period when the taxes are so materially reduced, and that an immense reduction has also taken place in the costs of production of almost every species of manufactured commodity, I shall with difficulty be brought to believe that our present currency, when viewed with relation to a sound state of things, is not redundant.

It will here be said that gold of the value of 8,000,000*l.* having been sent out of the country during the last 16 months, that independent of the reduction in the circulation of the Bank of England, there must have been a farther reduction during this period in the amount of our currency; and this to a certain extent is true; but it must always be recollected that the great demand for gold, would, and must be supplied from the coffers of the Bank, and but very little from the general circulation of the country; and for this reason—that there being for some time past no small Bank of England notes in circulation, a certain quantity of gold is absolutely necessary; and therefore, to take away from this quantity of gold for the purpose of exporting it, is to straiten the circulation, and then application will be made to the Bank, and this gives the same result as an application to the Bank in the first instance. It is certain, however, that some gold must have been taken from the general circulation, itmay perhaps have amounted to 1,000,000*l.*, and it certainly cannot have exceeded 2,000,000*l.*, and then, if we add this to the 2,000,000*l.* reduction in the Bank circulation, we shall have a total reduction of from 3,000,000*l.*, to 4,000,000*l.*; and I doubt whether this is sufficient. It will however be said, that besides the reductions of which we have spoken, there is also a reduction in the circulation of the country bankers, but of this I know nothing: it may be true, but I doubt it.

From the reduction in our circulation which has already taken place, and insuffi-

cient as it is in my opinion, good effects have however already flowed; the exchanges have improved, the exportation of gold has been checked, and we are now promised an importation of gold from the continent; but without a further reduction in our paper circulation, I much doubt whether this gold, when it arrives, will long remain in our possession.

This is my view of the case; and in reply to all this, it will be said that I am an alarmist; be it so, but we learn from King Solomon and Mr. Burke, that in early fear there is much wisdom; it is by early fear that mischief is prevented, but when once the mischief has happened, fear comes too late; remedies must then be applied, and all remedies are painful. I am then an alarmist, I sounded the alarm in the month of December last; and if the Bank had then reduced its issues, much of the mischief which has since ensued would have been prevented; and against a reduction of the circulation at that period there could exist no solid objection. The Government had already worked its will in the reduction of the 4 per cents., the fundholder had been relieved from a portion of his income, and as far as regards the finance of the country, all the grand purposes of delusion had been accomplished; and therefore, I repeat it, that from the moment the Directors perceived that the gold was rapidly leaving the country, they ought to have curtailed their issues of paper, because this was an infallible sign that the circulation was redundant.

And now, for the sake of argument, let all I have said pass for nothing, and let there be no ground of alarm, and then I simply ask this question—Shall the natural order of things be inverted that the Bank of England may make large profits? and are the people of this country to be burdened with the expense, and subjected to all the disadvantages of a paper currency, against their choice and inclination? I say against their choice; for, disconnect the Government from the Bank, and leave the currency to itself, and it is certain that the Bank will never be able (permanently at least) to keep 8,000,000*l.* of notes in circulation which shall not be founded on the precious metals. But when once (as arising from transactions between the Bank and the Government) a mass of paper has slunk into the circulation, and that paper is thereby made to supply the place of gold, then the gold must eventually be exported as useless; and without a reduction of the paper, a sound

metallic currency becomes impossible. And then what is the consequence of this artificial state of things? An eventual rise in the money prices of commodities, and a temporary reduction of the rate of interest. I say temporary, because permanently the rate of interest is governed by the rate of profit; but whatever the rate of profit, the influence of money (be its quantity great or small) is on the prices of commodities; and so that increase the quantity of money as much as you will, yet when once this increase is absorbed by a rise in the prices of commodities, there must be precisely the same demand for money and the same rate of interest as before the increase took place; and therefore it is only in the interval between an increase in the quantity of money and the full effect of this increase on the prices of commodities, that the rate of interest can be affected; and this interval is dangerous—it is the period of all those wild extravagant projects which end in the total destruction of capital.*

One question more. What caused the gold a few years ago to flow into this country?—A reduced circulation of the Bank of England and low prices of commodities. What has been

* See note 1, at the end of the work.

the cause of its exportation?—An increased circulation of the Bank, and high prices of commodities. And then we see at once that we are fools—for we bought this gold dear, and we have sold it cheap; and during the last thirty years we have regularly pursued the same line of conduct. The country had need be rich that squanders its wealth in this manner: to have got drunk with the money had been something: we work hard, and it is but fair that we should now and then treat ourselves to a little honest recreation: but to waste our wealth on such (not merely unprofitable, but) mischievous concerns as banks of credit and paper circulations, does, it must be confessed, greatly exceed all common measures of folly.

And now, to conclude. Have we formed any plan for the regulation of our future conduct, and what are our wishes? Shall we continue in that happy state of uncertainty which is so congenial to our speculative faculties—perpetually floating between a metallic currency on the one hand, and the chance of a suspension of cash payments on the other? Then we must continue to act as we have done during the last 18 months; that is, we must buy and sell Exchequer-Bills; we must make advances on stock and land, and

then again call in these advances; and above all things, we must job and huckster with the Government. Do we wish for a gold currency, and in sincerity and good faith to follow up the intendments of the Act of 1819? Then the account between the Bank of England and the Government must be closed, and the connexion dissolved for ever; nor will it be amiss that we prohibit the country bankers from issuing small notes. Or, scattering all theories to the winds, shall we, for once, be wise, and leave the currency to the choice of the people themselves? Then we must go a step further, and while we dissolve the connexion between the Bank and the Government, we must also reform our Mint regulations, and return to a double standard of gold and silver. This was our ancient system; this is the system which has existed from time immemorial in France and Holland; and in every country upon earth where the currency is free, a double standard obtains naturally, and as a matter of course. It was for this I contended in the year 1819; and this is the system which was recommended a few years ago by Mr. Baring, in a most able speech in the House of Commons. Every other scheme of things is vain and delusive, and can only be maintained by force and restraint, and a variety of regulations, the one more ridiculous than the other, and which, whether they succeed or fail, are alike injurious to the community.

But why do I waste words? We have no plan at all, our measures are directed by the whim and occurrence of the day; we know not even what to wish, and all our notions on this subject are so vague and unsettled, that with us any thing may be said to be any thing: and a hawk is a hand-saw. Take up, now, our scheme of currency, and view it on every side. Look first at our Mint regulations; they are a tissue of absurdity. Look at our paper currency; it is fraud and delusion: and the result of the whole is a confused, uncertain, jumbled condition of things, which none but a people absolutely deprived of their senses would tolerate for a single moment.

October 4th, 1825.

LETTER VIII.

ON OUR METALLIC CURRENCY, AND ON THE INTRODUCTION OF BRITISH SILVER MONEY INTO THE COLONIES.

"Nihil tam absurdè dici potest, quod non dicatur ab aliquo Philosophorum."—CICERO.

BALBUM balbus rectius intelligit. It is but fair to presume, that the Master of the Mint and His Majesty's Ministers understand one another, but to plain practical men their proceedings are altogether unintelligible.

Leaving, for the present, the Bank of England and our ineffable paper-money out of the question, I find the foundation of our metallic currency to be laid in two principles, which, *ex omnium consensu*, (that is, with the consent of all the philosophers), are regarded as so certain and indubitable, that they have passed into axioms, and of which it is no more permitted to doubt than of any other first principles.

The first is, that as a measure of value, one standard is less variable than two; and the second, that gold is less variable than silver; and upon this we have erected our system of a gold standard; but,

1. It is false even in speculation, that one standard is less variable than two; and if true, yet in practice it will amount to little or nothing; for we must always recollect that this is not a question which relates to the production of wealth, but to its distribution, and a variation in the relative value between gold and silver, which should not exceed two or three per cent., would have but little effect on the distribution of wealth, if even it were to take place in a few years; but if this variation should be so slow and gradual as to require a whole century for its completion, then the effect would be next to nothing.

Now it is a fact, that by comparing the present relative value between gold and silver, with the relative value between these two metals, as it existed a century ago, the difference will not exceed two, or at most, three per cent.; and it is also a fact, that though there have been temporary aberrations arising from the influence of supply and demand, yet during the last forty years there has been no real variation whatever; that is (not meaning to entangle myself in cobwebs, and attending solely to the broad features of the

case), I say this, that the present relative value between gold and silver is precisely, or as nearly as possible, the same as it was forty years ago. And, therefore, in practice, and apart from all speculation, there is no question, and the whole dispute is *de umbra asini*, or of and concerning the shadow of a pot of drink, or any other such foolish matter: very fit, if you will, to be discussed in the schools of the philosophers, but totally undeserving the notice of a man of common sense.*

2. It is false, both in practice and speculation, that gold is less variable than silver; but, on the contrary, silver is less variable than gold: this is proved by facts and in theory, and from the very nature of things it cannot be otherwise.†

Thus much on questions which in the sight of idle speculation are of great price, but at bottom, and with reference to all real purposes, they have no value whatever; for, supposing it to be true, that one standard is less variable than two, and supposing it again to be true, that gold is less variable than

* Touching these matters, see Note 2, at the end of the work.

† *Vide* Appendix.

silver, still this is no sufficient argument for confining ourselves exclusively to the single standard of gold; for the existence of two standards in law does not preclude the choice and selection of one standard (that is of either) by convention. And, therefore, the argument, to be of any avail, ought to go to this point—that silver existing in the possession of one individual, and corn, or any other production in the possession of another, it would be injurious to the community to allow these two individuals to make any bargain or contract, by means of which the silver should be exchanged for the corn: a monstrous proposition, and when presented simply and nakedly to the mind, most eminently absurd and ridiculous; and yet these are precisely our tactics; for first, by the law which makes silver a legal tender for only 40*s*., all bargains in commodities, and all contracts whatever which are to be completed in silver, are illegal; and secondly, by refusing to coin silver for the public, and placing the silver coinage of the country under the entire and sole control of the Government, all such bargains and contracts are *de facto* impossible.

All science is simple, and it is the property of every truly sound constituent scheme of

things to be able to stand alone; but this test will not do for us, and our system can only be maintained by force and restraint, and must be fenced in by a great variety of regulations; and then the natural consequence is this—that precisely when our measures succeed the best do they work the greatest mischief: and so here, for it can be proved beyond the possibility of doubt, that dating only from 1820 till 1824, the education of this bastard system of a currency cost the manufacturers of this country upwards of 500,000*l*., and since that period it has been, and as long as it exists ever will be, productive of serious injury.

There are two men in the Legislature who understand the subject of which we are treating, both theoretically and in practice—I mean the Earl of Lauderdale and Mr. Alexander Baring; and had their suggestions been attended to, a very different scheme of things would have obtained.

By the system of the Earl of Lauderdale, silver alone is made the legal standard, but the Mint is open to the coinage of gold for the public, and gold is allowed to pass, and circulate by convention.

By the system of Mr. Baring, both gold and silver are legal tenders, and when there is no condition to the contrary, the debtor may pay his creditor in either, or partly in one and partly in the other.

Now, in terms, and speculatively speaking, these two systems appear to differ; but in substance, and when reduced into practice, they are precisely the same.

By the system of the Earl of Lauderdale, silver is the standard in law, but gold is not precluded from being a standard by convention; and by agreement between the parties to a contract either or both metals may be adopted as a standard; and, therefore, however the matter may appear in speculation, yet, under this system of the Earl of Lauderdale, there are in practice two standards, and the obligation to acquit a contract in one metal alone (that is silver) only applies to cases where there is no stipulation to the contrary, and the law then only speaks when the contract is silent.

By the system of Mr. Baring, (that is, by the system of a double standard of value) both metals are a legal tender, but either may be adopted by agreement between the parties to a contract, and then the option which the law allows to fulfil a contract, in either or both of the metals, is overruled by convention.

And, therefore, whether, (as under the system of the Earl of Lauderdale) with one standard existing in law, I have the choice of another standard by convention, or whether, (as under the system of Mr. Baring) with two standards existing in law, I have the choice and selection of either by convention, must be the same thing; and if what the law gives me in one case, I can obtain in the other by convention, then virtually and to every real purpose, my situation is the same in both cases. In short, if two systems exist, and if under either, indifferently, and at my choice, I can accomplish the same things, then these two systems are the same; and that this is the case here may be easily demonstrated.

Take, then, a case of rent, and let the system of the Earl of Lauderdale be adopted and in full operation, and then there are four ways in which the landlord may bargain for the payment of his rent:—

1. For a payment in corn or cattle—that is, for a payment in kind:

2. For a payment in gold:

3. For a payment in silver:

4. For a payment partly in gold and partly in silver.

But all this may also be done under Mr. Baring's system, that is, under the double standard: and, therefore, we see at once that however the thing may appear in speculation, yet in substance and in practice the two systems are precisely the same. Under both the currency is free; both give the greatest possible latitude of action; the man that bargains for gold gets gold, and the man that bargains for silver gets silver; he that believes gold to be less variable than silver, takes gold for his standard, and he that believes silver to be less variable than gold, takes silver; all do as they like, and therefore none are injured; the *caveat emptor* is the rule in all cases, and this rule is infallible.

Let us now say a few words on another point. It was proposed, I believe, by Mr. Mushet, that every individual bringing gold bullion to the Mint should receive his money immediately, or within a few days; a wise and judicious proposition, which, while it left things in their natural order, and offered no direct bounty or encouragement, afforded every facility to the coining of money: but has this been acted upon?—I believe not; and if I have been rightly informed, the delay in coining gold for individuals is very great, and the constant excuse has been that the Mint is occupied in coining for the Bank of England: and the natural consequence is,

that individuals sell their bullion at 3*l.* 17*s.* 6*d.* to the Bank, instead of obtaining 3*l.* 17*s.* 10½*d.* from the Mint, to which by law they are entitled.

Now the excuse of being occupied in coining for the Bank is most lame and impotent; for that a few thousand ounces of gold should be coined for an individual can be of very little consequence to the Bank, but the delay of coining this gold may be of very serious prejudice to the individual; and therefore, either (as caring nothing about the matter) we have no motive at all for our conduct, or this conduct must rest on one of these two grounds:—

1. We wish to deter individuals from bringing bullion to the Mint, because, founded on reasonings *à priori*, the d—d philosophers have determined that paper is better than gold; but the fact here overturns the doctrine, and from the very circumstance that an individual brings bullion to be coined, must we infer that, to him at least, gold is better than paper. But so it is, and when a plain dull fact comes before us, and that a man applies to us to coin his bullion, then, instead of setting about our work, we begin immediately to speculate on the true principles of currency. But if what

I have here stated be not the ground of our conduct, then—

2. We wish to force the individual to sell his gold at 3*l.* 17*s.* 6*d.* to the Bank, that the Bank by reselling it at 3*l.* 17*s.* 10½*d.* may make a profit; and thereby we act unjustly; and in this, as in every thing else, all our measures appear to be directed to the aggrandizement of an already overgrown monopoly.

But not only is our conduct against reason, it is also against law; for by law any person bringing gold bullion to the Mint is to have it coined free of expense, and to an individual complaining of delay in the coining of bullion, it is no answer to say that we are busied in coining for the Bank: for why have we so much to do for the Bank?—Simply because we delay and put off the concerns of individuals. But act up to the spirit of the law, coin promptly for individuals, and you will have but little to do for the Bank; for gold will then regularly be at 3*l.* 17*s.* 10½*d.* per ounce; and how then in ordinary circumstances can it answer the purpose of the Bank to buy gold at 3*l.* 17*s.* 10½*d.* per ounce, when it can only obtain the same price by a resale?

Thus much on these matters: but it is in vain to talk; we have to do with a perverse

generation, and say what we will they will have it that ours is a perfect system, and perfect therefore it is and shall be. But then I ask this question—Why, this system, being perfect, we do not in all cases act up to it?—And why we have two systems—one for this country, and another, (and this totally different) for the colonies?

We have introduced our silver currency into the colonies, and we say that we do this upon the principle of uniformity, and to the effect that the currency of the colonies should be assimilated to the currency of this country; but as every man in the colonies, or that trades with the colonies, does or ought to know the value of a French 5-franc piece, or a Spanish dollar, and as, do what we will, silver is but silver, so is it no more destructive of the principle of uniformity that these coins should be allowed to circulate at their fair value, than if they had been coined at our own Mint; and therefore to introduce our silver currency into the colonies is to innovate, for it is to introduce something which *eo nomine* did not before exist. But let this pass. Regard only is to be had to things and not to names; we do after all but introduce silver, and to this *per se* there can be no objection.

But by introducing our silver currency into the colonies, is it certain that we have attained this highly valued principle of uniformity, and so as to assimilate the currency of the colonies to the currency of the mother country?—Quite the reverse, I believe; for, according to the system at home, silver is only a legal tender to the amount of forty shillings, but in the colonies we have made it a legal tender to any amount; and therefore the two systems are widely different; and this difference, if I am not mistaken, will eventually be productive of some very extraordinary consequences.

Let us now see in what way our measures are to be carried into effect.

I have before me the proclamation issued at the Cape of Good Hope, and I am informed that in all our other colonies and possessions the proclamations in substance are the same. From this document I collect the following particulars:—

"1. That in every colony where the Spanish dollar is a legal tender for the discharge of debts, the British silver money shall also be a legal tender at the rate of 4*s.* 4*d.* for the Spanish dollar.

"2. Any person bringing 103*l.* in British silver money may have a bill for 100*l.* on the Treasury in London, at 30 days' sight.

"3. In all future cases when articles are contracted for on account of the Government, payment is to be made in British silver money, or in bills on the Treasury, at the rate of a bill for 100*l.* for every 103*l.* due upon the contract."

Then comes a table by which the good people of the colonies are informed not only of the gross weight of the Spanish dollar, the French 5-franc piece, and some other coins, but also of their contents in pure silver; to which is added a reduction of their value into British silver money, according to the ancient standard of 5*s.* 2*d.* for the ounce of standard silver; and these reductions may be, and I dare say are, correct; but as this ancient standard no longer exists, they are of no value whatever, and the whole table is false: but for the present let this pass.

In the midst of the whole there is a vain parade of science: and not satisfied that things should be carried into effect plainly and simply, we are told, for example, that

"A pound troy of standard silver contains 11oz. 2dwts. of pure silver, and 18dwts. of alloy; and that the proportion between pure and standard silver may be expressed by the fraction 222.240." And that

"The pound troy weight of Spanish dollars contains 10oz. 14dwts. of pure silver, and 1oz. 6dwts. of alloy; and that the proportion between the gross weight of the Spanish dollar and its contents in pure silver may be expressed by the fraction 214.240."

Then, again, we are told, that in no case whatever is regard to be had to the gross weight of the coins, but solely to their contents in pure silver.

Now it is quite befitting that all this should appear in a book of science. It looks well, for instance, in that highly valuable work, "Dr. Kelly's Cambist;" but *non erat hic locus*, and here it is sheer pedantry.

At length comes the grand *arcanum*, and we are gravely told that the fraction 222.240 is equal to the fraction 37.40; and that the fraction 214.240 is equal to the fraction 107. 120; and thereby all our youthful studies are immediately brought to our recollection, and we are at once reminded that fractions of one denomination may be reduced to fractions of another denomination; or, in other words, that put on what appearance it will, a thing is still itself; and by this we are greatly edified. But never mind; and after all it concerns us but little that his Majesty's

Ministers should cause it to be proclaimed to the whole world that they have lately gone through a regular course of arithmetic.

These are the chief particulars; and then, at one single glance of the eye, we may perceive that the whole system is bottomed in error: for, in comparing the Spanish dollar and all other foreign silver coins with British silver money, the foundation of the comparison is the ancient standard of the country according to which the pound of silver was coined into 62 shillings; but this standard no longer exists, and the pound of silver is now coined into 66 shillings.

Now, in favor of our system at home, we have this argument—that though we have altered our ancient silver standard, yet we have not altered the gold; and that by making silver a legal tender to the extent of only forty shillings, things are restored to their former equilibrium; and therefore as when a man sells silver he get gold in payment, provided he get *5s. 2d.* per ounce for his silver, this payment in gold does *de facto* (and notwithstanding the alteration in the silver standard) establish the same relative value between gold and silver as existed under our ancient Mint regulations. But here the argument has no place, because no gold is paid, gold never intervenes, but the comparison is direct between Spanish silver dollars and British silver money, under precisely the same circumstances, and both a legal tender in payment of debts to any amount: and then the departure from our ancient silver standard becomes of consequence, and the 4*s.* 4*d.* which was equivalent in value to the Spanish dollar when the pound of standard silver was coined into 62 shillings, is no longer equivalent when the same pound of silver is coined into 66 shillings; and therefore the whole is founded in delusion. And yet this system proceeds from men who are really become so enlightened as to be able to inform us, that no regard whatever is to be had to the gross weight of the coins, but only to their contents in pure silver. A most excellent rule; and the more excellent, because being grounded in the nature of things, it has stood the test of experience; for this rule is of very ancient date: we find it already established, and in full operation, at the period when Abraham bought a burying-place for 400 shekels of silver current money with the merchant; and it therefore, in all probability, was of much higher antiquity.

The rule, then, being good, let us now attend to the *modus operandi,* and see a little

farther how these Nimrods in science have carried it into practice.

They order, then, as we have already seen, that in all cases whatever the Spanish dollar and British silver money shall equally be a legal tender in payment of debts to any amount, and that 4*s.* 4*d.* in British silver money shall be equivalent in value to a Spanish dollar; and therefore if one man owes 3,000 dollars to another, and the creditor comes to demand payment, this debt may be acquitted by the payment of 650*l.* in British silver money. But 3,000 Spanish dollars contain 2,316oz. 11dwts. of pure silver, while 650*l.* in British silver money, contain only 2,186oz. 7dwts. of pure silver; and therefore the creditor is cheated of 130oz. of silver: and their own rule that we are only to look to the contents of the coins in pure silver is departed from.

Now we all know that both silver and gold, when compared with other commodities, will have different values in different places, and this, too, at the same period of time; but that at the same time, and in the same place, and merely by virtue of a proclamation, 2,186oz. of silver should be equal in value to 2,316oz. of silver, and in point of fact the same thing is indeed most wonderful.

Then comes this point. Either we shall send much of this pretty silver money to the colonies, or we shall send but little. To send much will obviously lead to serious consequences; and to send but little, is to pass condemnation on the whole system. For what more profoundly ridiculous than first to enact a law, declaring this silver money to be a legal tender in all payments, and then so to order our measures as that there shall be little or none of it in circulation, to enable the law to be carried into effect? This is not to coin money but medals, and from that moment the law is a dead letter.

If we say that silver is scarce in the colonies, and that therefore we send out this money, this is no valid defence of our conduct; for this were indeed a good argument for sending out Spanish dollars, but it is none whatever for sending out British silver money, which is to be a legal tender in all payments, but which at home is only considered as a mere token; and it was upon this principle (whether right or wrong is here of no consequence) that the reduction of our silver standard at home was justified.

I have stated facts, and I have laid down principles; but the precise consequences that will result from our foolish measures are no

concern of mine: if, however, I am truly informed, a part of the silver which we have coined and sent out to Gibraltar, has been already returned to this country; and it is probably in this way that the system will operate—that is, the money that is coined and sent out, will gradually find its way back again. But this will work the destruction of the home system, because the relative value between gold and silver in our coinage being very different from the relative value between the two metals as bullion and in the market, it is quite impossible that the system can stand alone; and, therefore, we have found it necessary to prop it up by regulations, one of which is, that silver shall only be a legal tender to the extent of 40*s*., and the other, that the silver currency of this country shall be placed under the control of the Government, and that no silver shall be coined for the public; and, therefore, to ensure the safety of the system, silver to a certain degree must be scarce. But if, as fast as we coin silver for the colonies, this silver is regularly returned to us, a much larger quantity of silver will be thrown into the home circulation than was ever intended. By this means gold will be driven out of circulation, and we shall at length arrive at a silver standard: not, be it observed, the ancient silver standard of the country of 62*s.* to the pound, but a depreciated standard of 66*s.* to the pound.

But with consequences, as already said, I have nothing to do: the system may or may not operate in this manner, but to suppose that a system of this kind is to lead to no consequence whatever, is of all things in the world the most absurd and ridiculous.

This is my view of the case; and this would appear to be the result—that not satisfied with having established one absurd system at home, we have determined to introduce another, which is still more absurd and contradictory, into the colonies. Nor do we confine ourselves to occasional deviations from the dictates of common sense, but such is the warmth and luxuriance of our fancy, that in every thing which regards our currency, whether paper or metallic, sheer immaculate folly is the order of the day. Skilful men first find their facts, and then they reason, but our procedure is the very reverse; for first we reason, and then comes the fact and upsets the argumemt, and all our work is to begin again. In one word, there is neither plan, nor principle, nor design, in any thing we do; and in one respect this is fortunate, for as our

present systems are the product of accident, so by accident may other systems be produced; till at length and by repeated revolutions of the atoms of Epicurus, things will perhaps get jumbled into something like a sound condition.

October 25, 1825.

LETTER IX.

ON OUR METALLIC CURRENCY.

"The business of money and coinage is by some men, and amongst them some very ingenious persons, thought a great mystery, and very hard to be understood. Not that truly in itself it is so, but because interested people that treat of it wrap up the secret they make advantage of in a mystical, obscure, and unintelligible, way of talking; which some, from a pre-conceived opinion of the difficulty of the subject, taking for sense in a matter not easy to be penetrated but by the men of art, let pass for current, without examination."—LOCKE.

I COME now to treat of the ill effects resulting from our Mint regulations, and of the act passed in 1816, which made gold alone a legal tender in all payments above the value of 40*s.*, and by closing the Mint against the public for the coinage of silver, excluded this metal, except to a defined limited extent, from the home-market. But before we do this, it will be necessary that we lay down a few principles, plain and easy of apprehension, and which, I believe, will admit of little or no dispute.

The first question to be determined is this—what are we to understand by certain money, whether of gold or silver, being a legal tender? And to this question there appears to be a plain easy answer; and that the idea of a legal tender implies nothing but this—that gold or silver existing in the possession of one man, and corn in the possession of another, the law allows these two men, if they like, to make a bargain, by means of which a certain quantity of the one shall be sold or exchanged for a certain quantity of the other; and the operation being the result of a free unconstrained agreement between the parties, where is the injury to the community that both silver and gold, or either indifferently, should be a legal tender? and that the bargain should be upon credit, or, in other words, that the contract should be only determinable and

the money paid at a future period, makes no manner of difference; for this credit is again the result of convention and of agreement between the parties to the contract. Precisely the same observations apply to a case of rent (and to all other cases), and no injury in the world can result to the community from the circumstance that a landlord and his tenant are allowed to make a bargain for the payment of rent in either gold or silver, or both, at their choice, and as they can best come to an understanding.

What I have here said I hold it to be quite impossible (at least with any show of reason) to contradict; for it is notorious that bargains of all sorts are made in money, and then no reason can be given why (the parties thereto agreeing) these bargains should not be allowed to be made in silver money as well as in gold; and to say that silver is more variable than gold is (apart from the utter nonsense of the proposition) to say nothing; for once for all, every bargain of this nature is the result of a voluntary agreement, and *volenti non fit injuria:* but to proceed—

In all countries where a metallic currency obtains, that both gold and silver are legal tenders, and the Mint open to the public for the coinage of both metals, nothing is so easy to comprehend as the whole subject of currency.

An individual brings a certain quantity of gold or silver bullion to the Mint, it is refined to a certain standard, coined into pieces of a certain weight, size, and form, and which receive a certain stamp or impression as a voucher for their contents.

If (the fineness remaining unaltered) the individual get back precisely the same weight in coin which he had brought in bullion, then the coinage is at the expense of the State.

If what he get back be less than he brought, then, technically speaking, he either pays a seignorage or a *brassage*, according to the amount of that which is retained.

If that which is retained exceed the expense of coining, then the individual pays a seignorage; but if it does not exceed this expense, then it is merely a *brassage*.

Now a seignorage is of no utility whatever, for that is and must be useless which adds nothing to the wealth of the community. A seignorage is of no utility in our intercourse with foreigners, for they estimate our money according to its real, and not according to its denominative, value. With them our money is mere bullion, and whenever they get it they pay nothing for seignorage. They get it, in

short, upon the very principle which obtained 4,000 years ago, when Ephron, the Hittite, sold a field to Abraham for 400 shekels of silver, *probatæ monetæ publicæ*, and that Abraham took a pair of scales and weighed the money.

A seignorage is equally useless in our domestic concerns; for whatever the quantity of the precious metals which a country may be able to obtain in exchange for the surplus produce of its industry, a seignorage will add nothing to this quantity, but it will merely have this effect—that of the quantity obtained and coined into money, a portion will belong to the Government, and the remainder to those who bring the bullion to the Mint. But whatever the Government gains, somebody must lose: and therefore a seignorage is a tax, which either falls on certain individuals, or on the public at large; and it is totally impossible that a tax of this kind can add to the wealth of the community.

With respect to a *brassage*—that is, to a charge at the Mint, which shall not exceed the mere expense of coining—this may, perhaps, be justified; and upon this ground, that to the extent of the cost of the workmanship, the metal (from the more convenient form which it has received, and from its carrying on the face of it a certificate of its contents) has really acquired an additional value; but still it may be doubted whether it would not be better that even this expense, trifling as it is, should be paid out of the general revenue of the State.

As when neither seignorage nor *brassage* is charged, the Mint gains nothing, and the whole expense of the coinage falls on the public, it is quite clear that all the operations of the Mint finally resolve themselves into this single point—"The certifying a particular fact;" that is, that a certain piece of metal, of a certain weight and form, and with a certain impression, contains a certain defined quantity of either gold or silver, as the case may apply. And, therefore, in every well-organised system of currency, a Mint is a mere passive instrument, instituted and established for the sole purpose of carrying the wishes of the people into effect.

But whether a seignorage exist, or a mere *brassage*, or neither, provided the Mint be but open to the public, and that the whole system of currency is free from restraint; then, in the same manner that the individual was first free to bring his bullion to the Mint, or not, as he liked, so when he gets it back, coined into money, is he again free to do

what he likes with his money. His gold is left to find its value in silver, and his silver is left to find its value in gold, and both are left to find their value in other commodities. And why the Government of this or any other country upon earth should interfere to prevent this, is to me a great mystery.

This, then, is how the matter stands with a system perfectly free from restraint; and in all this there is so little of difficulty, that in one single half hour a child may become master of the whole subject. But when artificial regulations prevail, and that the Mint is open to the public for the coinage of gold alone, and shut to the coinage of silver which is placed under the control of the Government, then the subject becomes more perplexed and intricate, and that which if left to itself is of all things the most simple and easiest to be understood, gets to be a little more difficult of comprehension, and it then becomes necessary to assign reasons (good or bad) why two metals, which, when uncoined and in their rude state, were left to find their own value, either as between themselves, or with relation to other commodities, should, after they are coined, and notwithstanding they remain intrinsically the same, no longer (one of them at least) be allowed to enjoy the same liberty;

and that this system of coining the one for the public, while we refuse to coin the other, should again so operate as to disturb, in the home-market, the natural relation between the two metals as bullion. And this brings us to our Mint regulations, which establish very different proportions between gold and silver, when coined, from those which, in a natural state of things, existed between them as bullion; and from the single circumstance that such a system inverts the natural order of things, it cannot stand alone, but must be supported by a series of restrictions and regulations—that is, by artifice and violence.

And then the first regulation, and which it was considered would alone be sufficient to support the whole fabric, was to make silver a legal tender in small payments only—that is, to the extent of forty shillings: a regulation *per se*, and inherently and essentially, so contradictory and absurd, that it amounts to a complete condemnation of the principle on which the silver was originally obtained; for it was acquired by the exchange of a mass of commodities for a mass of silver, and without the least limitation (in principle) to the amount of either; and therefore, either we did wrong to acquire silver upon this principle, or, if not, then it is right that silver should be

allowed to exchange for other commodities *en masse*, and without limitation or restriction as to the amount; that is, it should be allowed to circulate on the same principle on which it was originally obtained.

But to return to the subject. It was found that the regulation which allowed silver to be a legal tender to the extent of only 40*s*., so far from being a support to the system, would (if the Mint were open to the public for the coinage of silver) be the occasion of its overthrow; and therefore a second expedient was resorted to, which was to place the whole of the silver coinage under the control of the Government; and so that if an individual, bringing silver bullion to the Mint, should be willing to pay a seignorage of 4*d*. per ounce, the Mint should still be closed against him; but he might bring just as much gold as he liked, and it should be coined for him free of all seignorage and expense. And this, again, is absurd; for neither gold nor silver interfere with any production of our soil or produce of our industry, but both are obtained by the same means that we obtain coffee, or sugar, or tobacco—that is, in exchange for the surplus produce of our industry; and therefore, to say that we will allow gold to be coined for the public, but not silver, is just the same as to say that we will allow both coffee and sugar to be imported, but that sugar alone shall be allowed to be consumed in this country. And this is really a case in point; because to exclude silver from the Mint is to exclude it from the home-market. And then why should silver be excluded from the home-market? And seeing that, mould it into what form we will, silver is still but silver, why not (as is justly observed by the Earl of Lauderdale) pass sumptuary laws against the use of silver plate? But these laws not existing, if it be right that one man should have a service of plate, how can it be wrong that another should have as many crown pieces as he likes or can command? In one word, where is the harm to the community that the Mint, on the application of an individual, should be allowed to divide a bar or cake of silver into a certain number of fractional parts? Let him that will, and is at leisure, answer these questions—I cannot.

Now it is this latter expedient of excluding silver from the home-market, this afterthought (a clear and decided violation of the rights of the merchant and the manufacturer), that has mainly contributed to support a system, which, of itself, would have fallen to pieces in an instant; but whether the misera-

ble expedients to which we have resorted in order to prop up a forced unnatural state of things will always be successful, may, I think, very fairly be doubted. It is not, however, with their failure which I have to do at present, but with their success; for, like all other artificial systems, it is precisely when they succeed, and not when they fail, that they are productive of the greatest mischief.

Now, in my view of the case, dating from 1820 till 1824, the system was crowned with complete success, and it is therefore to this period that my observations will relate; and if I succeed in showing, that during this, the period of its greatest success, the system was productive of great injury to the manufacturers of Great Britain, I shall have gained my cause.

The mischief, then, has consisted in this—that silver being deprived of the home-market (the Mint), has been and still is degraded below its fair natural value; and that this is the fact is evident from the price of standard silver, which from 1820 till 1824 was upon an average about 4*s*. 11*d*. per ounce; and most assuredly if the Mint had been open for the coinage of silver, it never could have been for a single instant at this price; for the pound of standard silver being coined at the Mint into 66 shillings, this gives 5*s*. 6*d*. per ounce; and four shillings on each pound of silver being the rate of seignorage, this leaves $5s. 2d.$ per ounce; and with a Mint open for the coinage of silver, this price it would always maintain.

And then, this state of things is productive of great injury to the manufacturer. For, let a manufacturer send goods to South America, and get silver in return, if by being deprived of the home-market for his returns (which is the Mint) he is obliged to sell his silver at $4s. 11d.$ per ounce; it is perfectly clear that the loss of $3d.$ per ounce on his returns, will be a diminution of five per cent. on the proceeds of his adventure. And therefore we see the evil resulting from a system which absolutely drives a man to seek, to his prejudice, that market for his silver abroad which he ought to be allowed to find at home. For, once for all, the natural market for silver bullion is the mint; and if it be excluded from our own Mint, then it must necessarily find its way to some other; but for whatever purpose this silver is sent out of the country, and whatever is obtained in return for it, that which we get can never be equal to the advantages which would have been derived from the home-market, for then silver could never be at $4s. 11d.$ per ounce:

and to say otherwise is to say that an ounce of silver is not an ounce of silver.

Nor does the matter stop here; for it has happened, and will happen again under our system, that the demand for silver is slack, even at a low price; and then, what follows? Why, that the man who wants money, either to make purchases of goods for exportation, or to pay for those which he has already exported, and for which he has received silver in return, is obliged to borrow on his silver and to pay interest on the loan; and so that the country banker who is allowed to deluge the country with his paper without stint or limit, is enabled to get interest for the loan of his accursed trash from the very man, who, in a free natural state of things, and while he supplied the country with a sound metallic currency, would, if the Mint were open, be under no necessity to borrow money at all. And this shows us at once that there is neither common sense nor even common honesty in our proceedings; for at all events the banker and the manufacturer ought to be placed on terms of equality; and that is and must be a monstrous state of things in which a rascally country banker shall be allowed to issue paper without the least limitation or restriction, while the manufacturer shall not only be debarred the liberty of supplying the country with a metallic currency, but shall even be taxed and plundered that paper may circulate.

It will then be said that the low price of silver in this country to which I have alluded may have been occasioned, either by a real augmentation in the value of gold, or by a real decline in the value of silver; and that thereby the relative value between the two metals must necessarily have changed: but this is not the fact, and from Mr. Tooke's book on "High and Low Prices," we learn three things which have a most important bearing on the present inquiry.

1. That from January, 1818, up to June, 1820, both inclusive, there was no premium whatever at Paris on gold in bars, but the premium on silver in bars was throughout the whole period one franc fifty cents per 1,000 francs; and what is still more remarkable, the average premium on Spanish dollars throughout the same period was twenty cents per dollar, for the average price of Spanish dollars was five francs forty-eight cents, but the Mint price for Spanish dollars in France is only five francs twenty-eight cents. And, therefore, so far from gold during this period having risen as compared with silver, the

latter metal, on the contrary, had risen as compared with gold: and this may easily be accounted for, because it is a fact, that during part of this period, gold had been sent from this country to France, and silver received in return. From the same authority we also learn,

2. That from July, 1820, till December, 1823, both inclusive, the average premium on gold in bars, was seven francs per 1,000 francs; and the average premium on silver, in bars, was two francs forty-three cents per 1,000 francs; and that the average price of Spanish dollars throughout this period, was five francs thirty-four cents, (being a little more than 1 per cent. above the Mint price); and here it would appear, that by comparing gold in bars with silver in bars, the former had increased in value four francs fifty-seven cents per 1,000 francs, or about ½ per cent.; but that, by comparing gold in bars with Spanish dollars, the premium on the latter was greater than that on the former.

Now that there should, during the latter period, be this very trifling decline in the price of silver in bars, as compared with the price of gold in bars, may again be very easily explained; for whereas, in the first period, gold was sent from this country to France to be exchanged for silver, so in the latter was silver, on the contrary, sent from this country to be exchanged for gold. And, therefore, the state of the Paris market was this—that in the first case there was a supply of gold and a demand for silver, and in the second, a supply of silver, and a demand for gold.

3. If we take in the whole period from January, 1818, till December, 1823, we shall find that the greatest variation was on the 13th of June, 1821, when the premium on gold in bars was twelve francs, while silver was at par: and that the average premium throughout the whole period of gold in bars was four francs twelve cents, while the average premium on silver in bars was two francs forty-four cents; and so that while, during the same period, the price of silver in the English market had varied from *5s. 6d.* to *4s. 10½d.* per ounce, making a difference of full 12 per cent., the greatest variation in Paris (and this lasted but a day) was only 1 1-5th per cent., and that the average variation throughout the whole period was only 1-5th per cent.

This was the state of things from January, 1818, till December, 1823; and if we turn our attention to what has since occurred, we shall find, that for this considerable time past,

and down to the present period, the premium on silver at Paris has exceeded the premium on gold; and this may again be explained, because it is a notorious fact that, during a great part of this period, both silver and gold have been exported from this country to France, but the value of the gold exported has greatly exceeded that of the silver.

Every thing, therefore, is explained, and there has been no real general decline in the value of silver as compared with gold, but merely a decline which is peculiar to ourselves, and which arises solely from our Mint regulations, and the exclusion of silver from the home-market, and the consequences of which do not fall on the public at large, but on a particular class and description of persons; that is, on the importers of silver bullion, who receive this metal in return for British manufactures. And then the whole case becomes clear; for our principle being this, that gold shall be coined for the public free of expense, while silver is excluded from the Mint, it is necessarily and inevitably impossible that these two metals can remain together, or that their relative value in the English market should at all accord with the nature of things; but either, as in 1818 and part of 1819, gold will be exported to exchange for silver, or, as since that period, silver will be exported to exchange for gold. And in no sound system of currency where perfect liberty is obtained, and where the home-market was open for both metals, could this by possibility take place; or if it should, it would be beneficial, because the only groundwork for an operation of this nature must be some error in the monetary system of other nations, and which we, by having a system free from restraint, are enabled to convert to our advantage.

The fact then being that large quantities of silver have been sent *to* France, while gold at the same moment of time has been received *from* France, this fact alone is conclusive of the whole argument; for the only rational foundation for an operation which sends silver to France to be exchanged for gold, must be this, that more gold can be obtained in France in exchange for any given quantity of silver than in England: for if less were obtained, the operation would be impossible; and if the same quantity only were obtained, it would again be impossible, because this would be to lose all the charges of transport on both the gold and the silver.

Now view it in another light. The exportation of a great quantity and value in silver,

produces the same effect as the exportation of a considerable quantity and value in any other merchandise; that is, it raises the course of exchange; and to raise the course of exchange, is to induce an importation of the precious metals: but we cannot import silver, for this we export because it is excluded from the home-market; and therefore we import gold: and therefore the exportation of silver leads to the necessity of an importation of gold.—And, therefore, this view of the case leads to precisely the same results, and there is an exchange of silver for gold. But in a free system of currency this exchange, as already said, would be impossible, because in the same manner that silver in France (by the Mint being open to its coinage) finds its value either when compared with gold or with other commodities, would silver (if the English Mint were open to its coinage) find its value in England, when compared either with gold or with other commodities. In short, as silver can be coined, and can, and does in all parts of the earth, serve for money as well as gold, to export silver, that it may be exchanged for gold, is to send abroad, and at great expense, for that commodity which already exists at home: or, in other words, it is to export money that we may get money in return; and than this, nothing, I am sure, can be more absurd and ridiculous.

Put it now, finally, that there shall be no exchange of silver for gold, but that the course of exchange between France and England shall be at par, when every importation of gold from France into England, either in exchange for silver, or for any other commodity, will consequently be impossible, and still the proprietor of silver bullion will be injured, though not to the same extent; for still his silver, in consequence of its exclusion from the home-market, must be exported, and therefore he must still lose all the charges of transporting his silver to France, and the profit of those who make the exportation. And what I here say is not mere reasoning or supposition, but, like all the rest, plain matter of fact: for it is notorious, that for this considerable time past the exchanges have been below par, that both gold and silver have been exported, and that the premium on silver at Paris has exceeded the premium on gold, and yet the price of standard silver has never exceeded *5s. 1d.* per ounce—that is, it has been about 2 per cent. lower than it would have been if the Mint had been open to its coinage. This may alter, certainly, and silver may again advance to *5s. 6d.*, or it may go down to *4s. 11d.*;

and to draw any inference as to the real relative value between gold and silver from what takes place under our system, is to go to Bedlam for a rule of common sense.

Now if, in answer to all this, it should be said that by the exportation of silver the exchanges are kept up, then I ask why the exchanges being kept up, should operate to the injury of the proprietor of silver bullion? Every other man has the range of the home-market for his commodity; give him also the range of the home-market; and then whether the exchanges be at, or above, or below par, his commodity (like the commodity of every other individual) is sure to find its value. For what connexion is there between a par, or a course of exchange, and the real value of any particular commodity? And (apart from the cost of production, and the influence of supply and demand) how can the value of any commodity be affected, except by regulation and restraint? And this it is precisely of which we complain.

This for the present. In my next letter I shall continue the inquiry.

November 12th, 1825.

LETTER X.

ON OUR METALLIC CURRENCY.

"Ou est le philosophe qui pour sa gloire ne tromperoit pas volontiers le genre humain? Il n'y en a pas un seul qui, venant a connoitre le vrai et le faux, ne preferat le mensonge qu'il a trouvé à la verité decouverte par un autre."
—Rousseau.

I stated in my last letter, that in consequence of the exclusion of silver from the Mint, this metal had been, and still is, in the English market, degraded below its fair natural value, and that at one period large quantities of silver had been sent to France to exchange for gold.

Now to this it will be said, that if we have sent silver to France to be exchanged for gold, the French on the other hand have sent us gold to be exchanged for silver; and this is true; but then comes this very remarkable difference, that while we lose by the operation, the French gain; and the slightest attention to facts will convince us that this cannot be otherwise. For the Mints of France being

open for the coinage of both metals, the currency being free from all restraint, and both metals left to find their value, either between themselves, or as compared with other things, it is quite impossible that either gold or silver in France can fall below the Mint price, though they may and generally do exceed it; and therefore, if we send them silver to exchange for gold, the premium on gold will be high; and if we send them gold to exchange for silver, the contrary will take place: and therefore the freedom and simplicity of their system constantly enables them to take advantage of our errors, and having a Mint at home, who but madmen would think of sending their bullion to the Mint of a neighbouring kingdom to be coined into money? And turn it as you will, this is the operation; and though the silver is exchanged for and returned to us in the shape of gold, yet this is but to send out money to get money in return; and in an operation of this nature we must necessarily lose the profit made by the French Mint on the coinage of the silver—the premium on the gold received in return—the charges of transport on both the gold and the silver—interest of the money—and the profit of those who conduct the operation.

But whether the French gain or lose, or

what has become of all the silver that has been imported; whether it has been sent out of the country to exchange for gold, or to provide for foreign loans negotiated in this country; or whether part has been purchased by the English Government to convert into silver currency; or whether, in fine, part has been exported to receive commodities in return; the loss to the manufacturers of Great Britain will still be the same; and this loss will always amount to the difference between the market-price of silver and the price of *5s. 2d.* per ounce, which they would, and must have obtained if the Mint had been open for its coinage. And this is true, whether we suppose our ancient Mint regulations still to subsist, by which the pound of standard silver was coined into 62 shillings free of all seignorage or expense, or whether we take our present regulations, by which the pound of standard silver is coined in 66 shillings, of which 4 shillings are retained by the Government for seignorage.

But to open the Mint for the coinage of silver would be to depart entirely from our present system. No doubt: but why did we abandon the old system? and where did we get the present? What madman invented it? and where is the harm of getting rid of a

manifestly unsound state of things? Who are the innovators? We who wish them to return to the ancient order of things, or they who no longer ago, as it were, than yesterday, framed a scheme, the like of which does not exist on the face of the earth, and which, as compared with the systems of other nations, stands like a well furnished Bedlam in the midst of a populous city? By whom was our ancient system established?—By Sir Isaac Newton. Who of late years have had the direction of our currency?—Metaphysicians, and sophisters, and theorists; and so that instead of being (as it really is) a question of fact, every thing that regards the subject of currency is become a matter of mere speculation—a theme for idle wanderers. But on this subject of throwing open the Mint for the coinage of silver, I shall say more hereafter.

Now let us apply what has been said, and place the matter in a point of view which shall render it plain to the meanest capacity.

There shall then be two manufacturers, the one residing in England, and the other in France; they shall both manufacture the same commodity at the same cost and expense of production; each shall send the commodity which he has manufactured at the same time to the same market in South America, and, being the same in every respect, they will naturally sell for the same price; each shall receive returns in silver, and the quantity received by each shall be 10,000 ounces. The Mint of France being constantly open for the coinage of silver, the French manufacturer finds an immediate market for his returns; but the Mint in England being closed, the silver imported by the English manufacturer must necessarily be sent out of the country.

The French manufacturer takes his silver to the Mint, and gets paid for it immediately in money. And here I will not enter into the question of the seignorage of 1½ per cent. retained by the French Mint. According to the doctrine of the modern philosophers, to all the extent of a seignorage (be it much or little) value is added to the coin—a theory which is, and must be, false, because all facts are opposed to it; though it may perhaps be true of a *brassage*.* But here it is not necessary that I should go into the question, because, generally speaking, silver bullion in

* See note 3, at the end of the work.

France is at a premium on the Mint price; and therefore, this premium existing, we have only to suppose that to all the extent of the cost of workmanship (brassage) value is added to the coin; and then the French manufacturer gets back in coin the whole of what had been taken to the Mint in bullion, and his 10,000 ounces of silver remain undiminished.

Now let us see the position of the English manufacturer; and then, upon the supposition that our ancient Mint regulations, by which the pound of silver was coined into 62 shillings, free of expense to the individual, were now to subsist, and again, that the Mint should be open for the coinage of silver (and so as to place the Englishman in this respect on the same footing with the Frenchman), to say that an ounce of standard silver bullion is worth *5s. 2d.* in the market, is merely to say that an ounce of silver is an ounce of silver. But the Mint being closed, and it being absolutely necessary that the silver should be exported that it may find a market, and the price being reduced in consequence to *4s. 11d.* per ounce, the proprietor of silver bullion is placed in that peculiar situation that an ounce of silver to him is no longer an ounce of silver, but only about 19dwts,* and the 10,000 ounces which the manufacturer received in return

* This is true, because 4*s.* 11*d.* in reality contains but about 19dwts of silver, and the argument will hold whether with relation to our ancient, or the present, system.

Under our ancient system the pound of standard silver was coined into 62 shillings, this gave 5*s.* 2*d.* per ounce; and, therefore, with the Mint open for its coinage, it was quite impossible that standard silver should be regularly below this price.

Again: Under the ancient system, gold was coined at 3*l.* 17*s.* 10½*d.* per ounce; and then two things are clear;

1. That the possessor of 10,000 ounces of silver bullion, after it had been coined at the Mint, would still retain his whole quantity of 10,000 ounces.

2. That both metals being a legal tender, and silver being coined at 5*s.* 2*d.*, while gold was coined at 3*l.* 17*s.* 10½*d.* per ounce, 10,000 ounces of standard silver, when coined into money, would discharge the same debt, and command the same quantity of other commodities as 663.456 ounces of standard gold when coined into money; or, in other words, that 10,000 ounces of standard silver, and 663.456 ounces of standard gold, were of precisely equal value.

Under the present system, if the possessor of 10,000 ounces of silver (in consequence of his commodity being excluded from the Mint) sell it in the market for 4*s.* 11*d.* per ounce, he will (in consequence of the law which makes silver a legal tender to the extent of only 40*s.*) be paid in gold; but 10,000 ounces, at 4*s.* 11*d.* will produce 2,458*l.* 6*s.* 8*d.*, which is only equal to 631.353 ounces of standard gold.—But if the silver had been sold for 5*s.* 2*d.* per ounce, then, by a payment in gold, he would receive precisely the same quantity of gold, and, as to all real purposes, be placed in precisely the same situation as under the ancient system.

for his commodity, get reduced to 9,516 ounces, and the difference gets dissipated by the charges of exportation, and in the various ways to which we have alluded.

And therefore there is an absolute waste and dissipation of a portion of the thing itself, and consequently the less remains to be exchanged for any other object; and all this falls exclusively on the manufacturer, and without the least benefit being derived to the rest of the community; for it clearly can be of no advantage to any one that, out of every 100 ounces of silver brought into the country in return for our manufactures, five ounces should be absolutely thrown away.

We see, then, how the matter stands; and as long as silver is silver, as long as silver has a value in exchange and as compared with other commodities, and as long as silver has a value *per se* and in use (which it always will have), just so long will the French manufacturer with 10,000 ounces of silver be in a better

And, therefore, the loss to the proprietor of silver bullion, will be precisely the difference between the market-price of silver bullion, and the 5*s.* 2*d.* per ounce, which he would have obtained under the ancient system; and which he would still obtain under the present, if the Mint were open to the public for the coinage of silver bullion.

condition than the English manufacturer with only about 9,500 ounces.

Nor is the advantage to France restricted to the point to which we have alluded; but while the French manufacturer gets more for his commodity than the English, the French Mint and the French nation will gain all the advantages which result from the English manufacturer being occasionally obliged to send his silver to France to be coined, and afterwards exchanged for gold. *O le beau systeme! O le beau systeme!*

It is past all doubt that we are mad. We glory in the emancipation of South America, on the ground that a more extensive field is opened for the employment of our capital, and the sale of our manufactures; but all facts tell us, that send what we will to South America, our principal return must consist of silver; and yet we exclude this commodity from our market. And it is in vain to deny the fact; for the great demand for the precious metals is for the purpose of their being coined into money: but that this may be done, they must be taken to the Mint, and the Mint must receive them; and therefore to exclude silver from the Mint is to exclude it from the home-market.

This is what I have to say on the subject; and the whole argument appears to me to be conclusive; and that no one point of view can be taken, and no one possible cause imagined, in which the exclusion of silver from the home-market can be advantageous to the community.

Now, if in answer to all this, it should be said that our silver money is only a token or counter, then this is childishly to beg the question, because this is the very thing of which we complain; and to give a satisfactory reason why that which is a legal tender to any amount in every other part of the earth, should only be a token with us, is beyond their power. Will they say that silver is more variable than gold?—This is false. Will they say that one standard is less variable than two?—This is false even in speculation; and if true in every respect, then we ought to have taken silver, and not gold, for our standard. Shall all they say be true?—It amounts to nothing, because every man may choose what standard he pleases; and, therefore, to the supposed fixedness of one standard, there is superadded the advantage of choice. After this, what will they say? Shall it be, that to introduce a silver standard conjointly with gold is to render the position of the public creditor uncertain?—It is non-sense, but the remedy is easy. Pass a law that his dividends shall continue to be paid in gold, but do not deny to other persons the liberty of making what bargains they please in silver. But what reasonable objection can the public creditor make to a payment in either gold or silver, at the choice of the Government, when this mode does but bring us back to first principles, and to that precise standard and state of things which existed when the debt was originally contracted? Not that I mean that his dividends should be paid in our present trumpery silver currency, but in good old-fashioned silver money, coined at the rate of sixty-two shillings to the pound of standard silver.

As every principle (whether good or bad), when carried into practice, must have a certain result, let us now endeavour to ascertain the amount of the loss sustained by the exclusion of silver from the home-market from the year 1820 till 1824, being the period alluded to in my last letter, and to which my observations more particularly relate; because it was precisely during that period that the philosophers chuckled and vaunted the great success of the system. It is true that their tone is altered a little, and some of them now

begin to think that the scheme will fail entirely; but this they say is because sufficient attention is not paid to the quantity of silver in circulation. Be it so. Whether the system succeed or fail, concerns me but little, and it will always be bad either way; but that must, indeed, be a precious scheme of things which requires that the Government of a country (a most excellent judge in all matters of this nature) should incessantly be occupied in calculating to within half-a-crown, the precise quantity of silver that ought to circulate.

But to return to the subject. To ascertain with precision the loss to the English manufacturer, will not only be difficult, but impossible; and from this circumstance—that gold and silver bullion being allowed to come into the country without its being necessary to pass an import entry at the Custom-house, there is no official document which shows us the precise quantity of silver imported. Some idea of this may, however, be formed from the quantity of silver deposited in the Bank of England, though this will naturally be imperfect, because large quantities of silver are imported into different parts of the United Kingdom, which are never deposited in the Bank.

The rule, therefore, which I shall adopt will be this—I shall first take the quantity of silver deposited in the Bank of England, and to this I shall add one-half for other silver bullion imported, but which has not been so deposited.

According to a return made to the House of Lords on the motion of the Earl of Lauderdale, it appears, that from the 1st of January, 1820, to the 8th of June, 1822, the quantity of silver bullion brought into the Bullion office of the Bank of England, was . . .	Oz. 19,730,000
To which add one-half, according to the rule laid down	9,865,000
Total quantity up to the 8th of June, 1822	29,595,000
Add for the period elapsed since the return, that is, from the 8th of June, 1822, to the 8th of January, 1824, the quantity being estimated in proportion with the above	16,769,014
Total	Oz. 46,364,014

Now, I am quite aware that this statement is imperfect: first, because the official return does not go beyond the 8th of June, 1822, and therefore we are even unacquainted with the total quantity of silver deposited in the Bank of England for the whole period; and there being no returns from the Custom-house, for the reason we have stated, we are still less acquainted with the total quantity of silver

imported; and therefore, to a certain extent, this statement is mere matter of opinion; but as I have set out the grounds of this opinion, and which are open to examination, I can have no intention to deceive. And then we are again to consider—

1. That in consequence of the preceding high price of silver, which induced a large importation, a pretty considerable stock of this metal must have existed in the country in January, 1820, and of which no mention whatever is made in the official return; but as this silver was afterwards sold at reduced prices, it ought in strictness to be added to the account.

2. I find from Mr. Tooke's book "on High and Low Prices," that the silver coined at the Mints of France during the years 1821, 1822, and 1823, was of the value of 250,250,994 francs (about 10,000,000*l.* sterling). Now it was precisely during this period that the ingenious operation of sending silver from this country to France to be exchanged for gold was carried on to the greatest extent; and, therefore, if we suppose a great part of the silver coined at the French Mints during the period to which we have alluded to have been imported from this country, then the total quantity I have set down is under-rated;

because, independently of the exports to France, silver must also have been exported to other countries.

3. I am contending for a principle, and, therefore, whether the statement be or be not strictly accurate is of no consequence. To a certain extent it must be right, because it is founded on an official document; and whether we add to, or deduct from, this statement, a few millions of ounces of silver, the reasoning will not be affected.

We have now to ascertain the price of silver from January, 1820, to January, 1824; and then, taking the first price of standard silver in bars in each month during the period alluded to, I find the average price of the whole period to be as nearly as possible 4*s.* 11½*d.* per ounce.

Now the loss to the proprietor of silver bullion is the difference between this price of 4*s.* 11½*d.* and the 5*s.* 2*d.* per ounce which he would have obtained if our ancient system still subsisted; and which he would again obtain, even under the present system, if the Mint were open for the coinage of silver.

The difference, then, being 2½*d.* per ounce, this, on the total quantity of 46,364,014 ounces, will amount to 482,958*l.* 9*s.* 7*d.*, and so that our immaculate system of a gold cur-

rency, to the exclusion of silver, during the short period of four years, ending in January, 1824, cost the manufacturers of this country about 500,000*l.*; and the injury has been and still is going on; for though, since January, 1824, the average price of silver has increased, yet it has been very far from 5*s.* 2*d.* per ounce. A blessed system, truly; which, without cause or necessity, and without any one single solid reason to be advanced in its defence, is kept up and maintained by an annual tax of about 125,000*l.*; and which tax falls solely and exclusively on the manufacturers of Great Britain!

This it is, then, to trust in lying schemes which cannot profit, and this comes of ingenious devices and fine-spun theories, and idle nonsensical debates on the true principles of currency. Just as if all that is worth knowing in point of principle was not known 4,000 years ago; and, therefore, if truth be our object, this has long since been found to our hand, and we disquiet ourselves in vain. Just as if gold and silver, being commodities, every law or principle which when applied to other commodities will be productive of a certain effect, will not produce the same effect when applied to gold and silver; and then, our absurdity in excluding silver from the home-market becomes manifest; because every dabbler in political economy will tell us that to narrow the market for the returns of the manufacturer, is, by necessary consequence, to reduce the price of his manufacture. Just as if there can be any other true principle of currency than to throw the gates of the Mint wide open to the people, and to leave it to themselves to take either gold or silver, and this in any quantities and in any proportions they please, or that their transactions may require. Just as if, in any well-regulated system of currency, the Government of the country has any other function to perform than to provide for the purity and integrity of the coinage, and so that the real value of its money be equal to the denominative. And just as if every interference beyond this is not productive of mischief.

But *quod est ante pedes nemo spectat*, and these doctrines are much too plain and simple to be relished by men whose judgments are vitiated by systems, and paper, and projects. And indeed (to repeat here what I have said on a former occasion) our conduct is not a little curious. Founded on reasonings, *à priori*, we determine that of all possible systems of currency ours is the best; and then,

in order to prove the wisdom of our determination, we forcibly prevent the people from having any other. Whereas, if things were left to themselves, the fact alone would decide the principle; and that would be the best system of currency which the people should adopt of their own free choice and inclination. But then we should have to throw open the Mint to the public, and then less paper would circulate; and what would then become of the philosophers?

This is my view of the matter; and be it recollected, that I speak nothing from myself; I propound no new principles; I lay no claim to inventions; and if I am wrong, then, Sir Isaac Newton was wrong, and Mr. Locke was wrong, and the Earl of Lauderdale and Mr. Alexander Baring are wrong. In short, I argue solely from facts which are known to exist, and if I am wrong, then the system of currency established in France is a heap of absurdity; whereas I take it to be a model of perfection. Look at this noble scheme of things, you see a giant; look at our own miserable abortive system, you see a dwarf, withered and blasted *ab ovo*—a very caricature, a burlesque. The present French system has existed about forty years, and free in its action as the wind that blows, and from the very principles on which it is founded, it will not require revision *ad diem longissimum;* but take what precautions we will, if our puny system lasts five years longer, I shall be very much mistaken.

November 26, 1825.

LETTER XI.

ON A RUMOURED ARRANGEMENT BETWEEN THE BANK AND THE GOVERNMENT.

"Crescit indulgens sibi, dirus Hydrops."

WE are all right again. The Government and the Bank of England have come to an understanding, and consols are to be at 150, and the rate of interest is to be 2 per cent., and commerce is to revive, and credit is to be re-established; and the hungry are to be filled with good things, and we are to have a

merry Christmas and a bonfire.* This is the true character of Master John Bull—it can never rain but it pours. But how are all these wonders to be brought about?—By liberal issues of Bank paper. Fools, and blind! not to see that paper is still but paper, and that all the paper in the world will not add a bushel of corn, nor a gallon of beer, nor a yard of cloth to our stock; and, therefore, we shall have no more to eat, and no more to drink, and no more to wear than we had before: and, therefore, all other things remaining the same, the sole effect of an increased issue of Bank-notes, acting as money, will be to disturb the existing relation between money and commodities, and, by raising their prices, to give the death-blow to our export trade, which has already suffered so severely. Fools, and blind! not to see that a reduction in the rate of interest, proceeding from natural causes, is an infallible sign that the prosperity of a country is on the wane, and that to bring about this reduction by artificial means is downright dishonesty. But let them go their lengths: let

* A pretty Christmas, indeed, they made of it! Witness the failure of about eighty country bankers; and the Bank of England reduced to the necessity of issuing one-pound notes.

the feast be set out by adding paper to paper; the very food with which they shall be regaled is poison, and will turn to their destruction: "there is death in the pot!"

December 5, 1825.

LETTER XII.

ON OUR METALLIC CURRENCY.

"Le Gouvernement reglera la *proportion de l'or à l'argent;* mais ils manifestera l'intention de la changer sans refondre sa monnoie, lorsque l'equilibre aura été rompu par des causes politiques ou naturelles."—MONGEZ.

HAVING given my opinion in favour of a double standard of gold and silver, I shall now proceed to answer some objections.

And first it is said, that if two standards exist, we must fix and establish the relative value between our gold and silver money. Be it so; and where is the harm, seeing that to fix a proportion is but to declare a fact?

But the relative value may afterwards come to vary from that which we have established. Let it vary: and then, all we have to do is, publicly to declare that it has varied. And here, again, we do but declare a fact. Thus, supposing the proportionate value between gold and silver on this very day, to be such, that a gold sovereign is worth exactly 20*s*., we declare this to be the value; and supposing, ten years hence the value of the gold sovereign to be 21*s*., then we have but to alter our declaration; and, in both cases, we do but declare a fact with which all the world is acquainted, as well as ourselves.

In every free system of currency there is, however, no declaration of proportionate value which is essentially obligatory and binding on both the debtor and creditor; and when the French declare a gold Napoleon to be worth 20 francs, we are not to understand that the debtor is not to get more for it from his creditor, if he can; but merely this—that it shall not be obligatory on the creditor to receive it for more than this value in the discharge of a debt.

In the ordinary transactions of society, of what consequence is, or can be, either the real or the established relative value between gold and silver?—Of none whatever; for let there be two standards—that is, let there be gold and silver money, and allow both to pass current, and let all contracts be free; and then, what does the law declare?—Why nothing, but this plain, simple, incontestible fact—that gold exists, and that silver exists, and various other things existing at the same time, that men are allowed to make their bargains in what way they please; and if one man has wheat, and another gold, and if these two men find it convenient to make a bargain, by which the one shall be exchanged for the other, what has the relative value between gold and silver to do with the business? And precisely the same observations apply when the exchange is of silver for corn, or any other commodity; and the relative value between gold and silver is out of the question. In short, to make a bargain by which gold is to be exchanged for corn, is solely to institute a direct comparison between gold and corn, and the result of this comparison does but establish the relative value between gold and corn. And to make a bargain by which silver is to be exchanged for corn, is to institute a comparison between silver and corn; and the result of this is to establish a relative value between silver and corn. In both cases there is no other comparison, and no other result; and in both cases the relative value between gold and silver is entirely out of the question. In the bargain for gold there is no idea of silver, and in the bargain for silver there is no idea of gold. And in every bargain whatever, the two things which are first compared with, and afterwards exchanged for, one another, alone belong to the question.

Now, that all this is true, and that in a free state of things, and where two standards exist, any deviation from proportions once established will be productive of no consequence, we may be convinced of in an instant; for, first, gold has a value as compared with other commodities; then silver has a value as compared with other commodities; and then again there is a relative value between gold and silver which is dependent on the absolute value of each.

This being laid down, let there be a deviation from the relative proportions first established between gold and silver; and so that, (the absolute value of silver remaining unchanged) gold shall be over valued in the currency, and then any given quantity of gold will exchange for a smaller quantity of commodities; and any given quantity of gold will exchange for a smaller quantity of silver; and, as between gold and silver, there will be an agio on silver.

Let silver (upon the same principle) be overvalued in the currency, and we shall have precisely the same result, and there will be an agio on gold. And so that first in exchanging gold or silver for other commodities, each and all are rated according to their absolute value; and again, in exchanging gold for silver, each is rated according to its absolute value; and the deviation from the proportions originally established between gold and silver is rectified by the agio.

This, as relating to the domestic concerns of a country, and its intercourse with foreign nations, will be governed by the same principle.

For let the *real* proportion between gold and silver at any given period of time be as 1 to 15—let this be the proportion established in England, but let the proportion established in France be as 1 to 16. Then let the Mints of both countries be open for the coinage of gold and silver, and let the currency of both countries be free—that is, let every thing be left to find its own value; and then, though the difference between the *established* proportions of the two countries would seem to indicate that a great advantage might be gained,

by sending gold to France to exchange for silver; and, *ordine inverso*, yet in reality there would be no such advantage, and no exchange could take place. For, first, in exchanging gold for commodities, there is a direct comparison between gold and commodities; in exchanging silver for commodities, the comparison is again direct; and, finally, in exchanging gold for silver, there is also the same comparison; and then, though the *established* proportion between gold and silver in France be as 1 to 16, yet 1 to 15 being the *real* proportion between the two metals, and this real proportion being also the established proportion in England, it is quite clear (all other things remaining the same), not only that 15 ounces of silver will exchange both in England and France for the same quantity of commodities, but 15 ounces of silver will in both countries exchange for one ounce of gold also; and the deviation from the real proportions being corrected in France by an agio on silver, it is quite impossible either that an exchange of one metal for the other can take place between the two countries, or that there will be the least advantage in exporting one metal in preference to the other to exchange for commodities.

Now take a case. The men of Peru have plenty of silver, and comparatively but little gold; and then, I ask, of what consequence is it to them whether the relative value between gold and silver be as 1 to 15, or as 1 to 30? Of none whatever; and the only real point for them to ascertain is, what quantity of British manufactures can be obtained in exchange for any given quantity of their silver. If, on the contrary, they have gold in plenty, and but little silver, it will be the same thing; and if they have both in abundance, it will again be the same thing; and the real question to be determined in all these cases is, not what one metal is worth as compared with the other, but both existing, what each will command in other commodities.

Of what consequence again is it to the British manufacturer who supplies the people of Peru with manufactures, receiving silver in return, whether one ounce of gold be worth 15 or 30 ounces of silver? Of none whatever; and the only real point to ascertain is, what value the silver which he gets shall have when compared with other commodities in the home-market. And, instructed by the philosophers, we settle this point for him at once, by declaring, that as money, it shall have no value whatever, but that he may export his silver, and get out of his adventure as well as he can. And then, when I come to consider that the whole continent of South

America is now open to the introduction of British manufactures, this system of ours does, I must confess, appear to me a little extraordinary.

Thus much in the way of argument, and as relating to proportions between gold and silver; and now to matter of fact: and then I say, (and I can demonstrate it at any time), that the relative value between gold and silver is precisely, or as nearly as possible, the same as it was forty years ago; and therefore, supposing two perpetual annuities of the same nominal amount to have been created forty years ago, in a country where the currency is free, the one payable in gold, and the other in silver, these two annuities would now be of precisely, or as nearly as possible, the same value. And therefore, the philosophers may get on the benches and amuse themselves as long as they please, but in reality there is no question.

Proceed we now to other objections; and then the authority of Mr. Locke is brought forward, who, it is said, recommended one standard. Be it even as they please; but first in recommending one standard, Mr. Locke suggested that this standard should be silver, and he again as expressly suggested that the Mint should be open for the coinage of gold, and that there may be no mistake in this matter, I will here set down his very words.

"What then! (will you be ready to say) would you have gold kept out of England? Or, being here, would you have it useless to trade, and must there be no money made of it?—I answer, quite the contrary. 'Tis fit the kingdom should make use of the treasure it has. 'Tis necessary your gold should be coined and have the King's stamp upon it, to secure men in receiving it, that there is so much gold in each piece. But 'tis not necessary that it should have a fixed value set on it by public authority; 'tis not convenient that it should in its varying proportion have a settled price. Let gold, as other commodities, find its own rate. And when, by the King's image and inscription, it carries with it a public assurance of its weight and fineness, the gold money so coined will never fail to pass at the known market-rates as readily as any other species of your money." (Vide Locke, fol. edit. vol. 2. p. 52.) And again, in p. 78, we have the following:—

"Gold, though not the money of the world, and the measure of commerce, nor fit to be so; yet may and ought to be coined to ascertain its weight and fineness, and such coin

may safely have a price as well as a stamp set upon it by public authority, so the value set be under the market-price. For then such pieces coined will be a commodity as passable as silver money, very little varying in their price: as guineas which were coined at the value of 20*s.* but passed usually for between 21*s.* or 22*s.* according to the current rate; but not having so high a value put upon them by the law, nobody could be forced to take them to their loss at 21*s.* 6*d.* if the price of gold should happen at any time to be cheaper."

It is, therefore, quite easy to see that, under Mr. Locke's system, there would have been two standards, the one of law and the other of convention; for gold would have been coined, gold would have been current by convention; no man would have refused gold when tendered to him at a fair price. Gold would, therefore, have found its value at home both in silver and in other commodities, and consequently there would have been no necessity to export it in order that it should find this value.

Now all this is very different from our system, which, by excluding silver from the Mint, renders its exportation a matter of absolute and indispensable necessity.

Then comes Sir Isaac Newton, whom to name only is sufficient; and he never dreamt of establishing a single standard either of gold or silver, and to whom the very idea of excluding either gold or silver from the Mint would, I am persuaded, have appeared most absurd and preposterous; and yet the subject in all its bearings must have been familiar to him, for he was Master of the Mint, and in 1718 remodelled our whole system of currency; and what did he do?—Simply establish different legal proportions between gold and silver from those which before existed.—And here it is worthy of remark, that he did this after Mr. Locke had given his testimony in favour of a single standard; and therefore we are to presume that this great man saw that there would be no advantage in a single standard, and that whether we had two standards in law, or one of law and the other of convention, would, as to all real practical purposes, be the same thing.

If from the ancients we descend to the moderns, we find the Earl of Lauderdale, treading in the footsteps of Mr. Locke, and Mr. Alexander Baring in those of Sir Isaac Newton; and as I have already shown that for every real purpose these two systems centre in the same point, it naturally follows that we

may safely adopt either. The essential thing (and it cannot be too often repeated) is, that all contracts should be free, and that the Mint should be open for the coinage of both metals: in short, that men should be left to make their own bargains their own way, and the rest (except to a crack-brained philosopher) is of very little importance.

Again, and in favor of the double standard of gold and silver, we have the authority of Mr. Mongez, a member of the French Institute, and one of the administrators of the French Mints; and the testimony of such a man, when treating of a subject which he had made his peculiar study, and with all the details of which he was practically and intimately acquainted, is most material.

Then the example of Holland is brought forward, and it is alleged that the Dutch have now, and never had, but one standard. Now, though I am willing to admit that any practical example taken from the flourishing period of the Seven United Provinces ought to have great weight, yet I am quite certain that the history of Holland furnishes no example which by possibility can give the least countenance to our present system; for,

First, If we admit that Holland had but one standard, still this standard was silver, and still gold was not excluded from the Mint; and therefore gold was allowed to find its value in the home-market either in exchange for silver or for other commodities. But,

Secondly, It is not true that the Dutch had but one standard; for the coins called the ryder and the half-ryder, which were of gold, were a legal tender in all payments; and the debtor not only had the option to pay either in gold or silver, according to the proportions established by the Mint, but with the consent of his creditor (and according to the market value of gold and silver) he might depart from proportions those ~~propositions~~, and pay in gold with the deduction of an agio; or in silver with the deduction of an agio, as the case might apply.

Thirdly, Not only did the laws of Holland allow an agio to be taken on either gold or silver, when exchanged for one another, but it allowed of an agio on any one species of silver coin when exchanged for silver coin of another species.

Finally—the Bank of Amsterdam refused to receive deposits of florins (a silver coin) without an equal portion in value of ryders or half-ryders. The Bank also gave credit for deposits of gold bullion and foreign gold coin; and therefore, apart from the general principle which constituted the gold ryder and

half-ryder a legal tender in all payments, it is quite certain that in all the large payments made by transfer at the Bank of Amsterdam, gold formed an ingredient.

Nothing, therefore, can be more erroneous than to suppose that the Dutch had but one standard of value; and to compare their system with ours, either in principle or practice, would be ridiculous.

For the rest, it is not difficult to see what gave rise to the supposition that the Dutch had but one standard; it is this—that the gold ducat was not a legal tender in any payment without the consent of the creditor. But the ducat was coined upon very different principles from the ryder, and was never intended for domestic circulation, but solely for the purpose of foreign commerce; and in point of fact, it was intended (in the intercourse of the Dutch with foreign nations) as a rival to the Venetian sequin, which it so nearly resembles both in weight and fineness, that the difference between the two in real value is only about 2*d.*, and this in favour of the sequin; and therefore it was, that in the Ukraine, and among the Tartars of the Crimea, the Dutch ducat and the Venetian sequin circulated at the same price.

The ducat, then, as we have seen, was not a legal tender in any payment without the consent of the creditor. Still, however, the owner of ducats, if at any time he should want money, and there was not a demand for his commodity for exportation, was not left without resource; for the Bank at Amsterdam would receive them in deposit, and allow him to draw against them.

This, then, was the principle of the currency of Holland; and here we have the example of a prudent, industrious people, who first provide an abundant circulation of the precious metals for the domestic transactions of the community. We then find an immense stock of bullion deposited in the Bank of Amsterdam, which, even while it exists in its rude state, and as mere merchandise, is still (and this without even stirring from its place) made subservient to the liquidation (by means of a simple transfer from one account to the other) of immense mercantile transactions: and that full latitude might be given to every species of enterprise, we then find the Mints of Holland occupied in coining gold (and even silver) for the sole purpose of exportation.

Now there is to the full as much wisdom in coining gold and silver for a foreign market as to manufacture any other commodity for

the same purpose; but we think differently, and so little does any thing of this kind enter into our notions, and so wholly is our attention engrossed by a vile paper money, that precisely as if we had no Mint of our own, we occasionally send our silver, at great expense, to be coined in France, that we may afterwards (and this at a second expense) get it back in another metal.

"Miraberis quam paucâ sapientiâ mundus regitur."

This is what I have to say on the subject of a double standard of value; and that this double standard, whether wholly of law (according to the system of Sir Isaac Newton), or partly of law and partly of convention (according to the system of Mr. Locke), offers no one obstacle to the transactions of the community, but that, on the contrary, it greatly facilitates them all, will immediately appear by reflecting on the different uses to which money of the precious metals may be applied; and then, in my view of the case, a man can only want money for some or all of the following purposes.

1. He may want gold *primo et per se*—that is, to use it as a metal in some manufacturing process; and then his being paid in silver will be no obstacle to his wishes, because the cur-

rency being free, he may exchange his silver for gold in the market.

2. He may want silver for the same purpose, and then a payment in gold will present no obstacle to his desires, for he may exchange his gold for silver.

3. He may want money to discharge a debt; and then, whether he be paid in gold or in silver is all a case, because with the very money which he receives from his debtor may he pay his creditor.

4. He may want money for the purpose of hoarding—that is, to stock and store it up against some supposed future occasion; and then pay him in silver, and if he likes he may buy gold: pay him in gold, and he may buy silver.

5. He may want money that he may lend it at interest; but under a free system of currency, gold being money and silver being money, both or either may be lent at interest.

6. He may want money for the purpose of employing it in the purchase of commodities; but when the currency is free, gold will purchase commodities, and silver will purchase commodities, each according to its value.

But all these things cannot be accomplished with a single standard; for let this standard be

silver, and let gold be excluded from the Mint, and then it is quite impossible to have gold money. Let the standard be gold, and let silver be excluded from the Mint, and then (as a general principle, and without allusion to our own particular system, which is an exception to every rule) it is equally impossible to have silver money. And, therefore, while with two standards I can have all the supposed greater accuracy of one, because I can select one (and this which I please) for the basis of my operations; so can I also do certain other things, which with one standard alone could not be accomplished.

December 16*th*, 1825.

LETTER XIII.

ON OUR METALLIC CURRENCY.

" Soyons sage, et ne philosophons plus.—Rousseau.

Having treated of the defects in our Mint regulations, and of our laws regarding contracts and payments, it now remains that we suggest some remedies.

The first remedy which I propose is, that mints should be established in some of the principal towns and cities of the empire; and this is no novelty, as we may learn from any one who is at all acquainted with English history. The prerogative of coining, and declaring what shall be money, belongs solely to the Crown and the Legislature; that is, it is the province of the Legislature to declare by law what shall be money, and it belongs to the Crown in its executive capacity to see this law carried into effect. And if of late years we have allowed these powers (and this without the least check or control) to be usurped by the Bank of England and the country bankers, I am quite satisfied that we have gained nothing by the experiment.

In Holland there was formerly one mint at least in every province.

In the year 1806, there were thirteen mints in France; and though I will not be positive, yet I believe this to be the number at present.

To this it will be replied, that the French give particular encouragement to a metallic currency. It is quite certain, however, that they do no such thing; on the contrary,

they impose a seignorage of $1\frac{1}{2}$ per cent. on all silver bullion brought to the Mint, and a *brassage* on gold bullion. The French system, therefore, holds out no bounty or encouragement, but it simply grants facilities by allowing every man the opportunity of converting his gold or silver bullion immediately into money, if he be so inclined.

Again: the Bank of France is allowed to circulate as much paper as it pleases, subject to the condition of paying its notes in specie on demand; and there is no law, I believe, in France to prohibit the establishment of banks in every part of the country. And, therefore, according to the French plan, nothing is either encouraged or discountenanced, but full liberty is allowed to the circulation of every species of money, whether of gold, or silver, or paper.

If, then, under these circumstances, a large metallic currency (amounting to at least 70 millions sterling) exists in France, it is because the people prefer it to paper; and this they will do in all countries when left to themselves; and for the best of all reasons, because the one is infinitely more to their advantage than the other; but if, from operations between governments and banks of credit, a large mass of paper gets into circulation, the power of choice on the part of the people is taken away, and a metallic currency becomes impossible.

That there should be only one mint in this country, is highly disadvantageous to the community. We give full liberty to a country banker to open a shop where he likes, and to supply the people of every village with his trumpery ware: but if the merchants of Liverpool, and the manufacturers of Manchester and Glasgow, bring home silver bullion in return for their commodities, then we tell them to re-export it, for that as money it shall never pass in this country: and if they bring home gold bullion, then, before it can become money, it must be sent up to London at a loss of time and expense, and then, in the natural order of things, it must be sent back again at a second loss of time and expense. Nor is this all, for the delay in coining even gold bullion at the Mint (except for the Bank of England) is so great that an individual naturally prefers to sell his gold bullion to the bank at 4*d*. or 6*d*. per ounce below the Mint price: and so that, what with a diminution in the price of his gold, what with loss of time, expense of carriage, commission, and brokerage, a merchant at the outports has but little temptation to

bring home gold in return for his commodities; and he has still less temptation to bring home silver, because, by our Mint regulations, and our laws regarding payments, this metal is absolutely excluded from the home-market. And therefore, when every obstacle is thrown in the way of coining money for the public, that the Government is allowed to enter into every kind of operation it pleases with the Bank of England, and that full liberty is given to a country banker to open a shop in every village, are we to wonder that the country is inundated with paper?

Having established a sufficient number of mints, we must next proceed to cure the great and radical defect in our system of currency, and as this defect arises from the exclusion of silver from the home-market, the most simple and efficacious mode will be to make both gold and silver a legal tender in all payments; to call in the whole of the present silver currency, to throw open the Mint to the public, to coin silver free of expense at 5*s*. 2*d*. per ounce, and gold (as at present) at 3*l*. 17*s*. 10½*d*.

By making both metals a legal tender, all contracts would *ipso facto* be free, because the law which declares both to be legal, declares either to be legal; and therefore bargains may be made in one, distinct and apart from the other; and therefore the man who fancies gold to be a more accurate measure of value than silver, may select this metal for the basis of his operations; and the man who is of a different opinion may take silver: and he who is willing that the matter should be left undefined and without condition, will be paid in either gold or silver, or both, at the option of his debtor.

Gold being coined at 3*l.* 17*s.* 10½*d.* and silver at 5*s.* 2*d.* per ounce, this establishes what may be termed the legal proportion between gold and silver; but if the real or market proportion should come to vary from this legal proportion, then the law ought to allow (in the exchange of gold for silver) an agio to be taken on either gold or silver, as the case may apply. I say this ought to be allowed, because time and natural causes having introduced a state of things which the law could not foresee, still to adhere to proportions which the law has established, but which in reality no longer exist, is wilfully to commit a mistake which the law never intended; and as every agio on either gold or silver is but the correction of a legal (or mint) proportion between gold and silver, which from time and circumstances has become in-

accurate, and as this agio is and must be the result of a voluntary agreement between the debtor and the creditor, to say that a man shall not be allowed to take an agio on either gold or silver, is to say that he shall not be allowed to make the best bargain he can with his own money. And though there may be, and certainly have been, laws passed of this nature, yet we have still to discover upon what principle they are to be justified.

This point being settled, there never can be any real absolute necessity to alter the established relative value between gold and silver, because, however the real proportion (that is, the proportion which shall result from the general market prices of gold and silver) may afterwards come to vary from that which we have established, yet the difference will be rectified by an agio on either gold or silver as the case may apply; and it never can be necessary to pass a law to correct that which regularly corrects itself.

But that which is not strictly necessary may sometimes be expedient, and if the difference should become considerable then (though not absolutely necessary), yet it might be expedient that the legal (or Mint) proportion should be changed: and the fact existing that the proportion had really changed, it might, perhaps, be expedient that this fact should be publicly made known.

When Sir Isaac Newton remodelled our currency in 1718, he established the proportion between gold and silver as 1 to 15,210; and when the French revised their system in 1785, they established this proportion as 1 to 15,500: and there is every reason to believe that the French proportion is at present nearer the truth than our own; and therefore, if we now reform our system of currency, it would seem to be expedient that we should alter our former proportion between gold and silver, and still continuing to coin gold at 3*l.* 17*s.* 10½*d.*, that we ought to coin silver at 5*s.* 1*d.* instead of 5*s.* 2*d.* per ounce: but to this there are objections.

1. Wherever gold and silver pass current, and that the law sets a price on gold compared with silver, it is desirable that the gold should be under rather than over-valued, and for this reason—that every man will be willing of his own free motion to pay that price for a thing which it is really worth; and therefore, if gold should be undervalued, the difference will be rectified by an agio; but the law which compels a man to take gold at more than its value does him an injury. This principle is strongly inculcated by Mr. Locke, and Sir

Isaac Newton acted upon this principle in 1718, by reducing the value in silver of the guinea.

2. Although the French proportion at this present moment of time is probably more accurate than our own, yet, in a few years hence, the case may perhaps be different; and whatever opinions may prevail to the contrary, yet I am very much inclined to believe, that whereas from 1718 up to 1785, gold gradually and insensibly gained in value as compared with silver, yet that silver on the contrary is now imperceptibly gaining in value as compared with gold: but I am free to admit that in this I may be mistaken.

3. The great advantage in coining silver at 5*s.* 2*d.* per ounce free of all seignorage and expense is, that it brings us exactly to our ancient standard; and the great objection to coining silver at 5*s.* 1*d.* per ounce is, that we should thereby raise our standard, and every debt discharged in silver could only be discharged by the payment of a greater quantity of silver.

These are my reasons. But after all (and take what pains I will) I may be very much mistaken: and fortunately the remedy is easy; and we have only to declare the value of the sovereign in silver to be 20*s.* 6*d.*, and then (without touching our ancient silver standard) every objection against what I have said will vanish. This would establish the proportion between gold and silver in our coinage as 1 to 15,590, and so that while no debt could be discharged by a smaller quantity of silver, yet every debt might be discharged by a smaller quantity of gold than formerly; and yet (supposing the relative value between gold and silver to have increased since the establishment of our ancient Mint-regulations), no breach of faith would be committed towards the creditor. For let there have been an annuity created 100 years ago, and which annuity shall subsist down to the present day; but when this annuity was created the proportion between gold and silver was as 1 to 15,210, and the debtor had the option to pay in either metal; and, supposing the same law and the same proportion to be now in force, he would still have the same option; and then the annuity would naturally be paid in silver. But though (in consequence of an alteration in the relative value between gold and silver) the same quantity of silver would no longer purchase as much gold as when the annuity was created, yet the contract would be faithfully and literally acquitted, because the creditor would still get that precise quan-

tity of silver for which he bargained. Nor is it certain that the creditor would be injured, or the debtor benefitted in any respect whatever, because the difference in the proportion between gold and silver may not have proceeded from a decline in the natural absolute value of silver, but from a rise in the natural absolute value of gold, and of which an alteration of proportion is the necessary result.

I mention these things, because, when a man has to do with a set of hair-splitting metaphysicians, it is right to mention every thing; but they are trifles; and that men who waste and dissipate millions after millions upon a vile paper currency, should amuse themselves with things of this kind, does, I must confess, strike me with astonishment.

Then comes another point. Our gold standard is twenty-two carats fine, and our silver standard eleven ounces two dwts. fine, and therefore the standard for silver is finer than the standard for gold, and an ounce of standard silver contains more pure silver than an ounce of standard gold of pure gold; and it would not perhaps be amiss that our gold and silver money should be of the same fineness, and that our standard for silver should be reduced to eleven ounces, and that containing precisely the same quantity of pure silver, as under our ancient Mint-regulations, our silver money should be increased in weight. I mention this, however, with no other object than that our coinage should be uniform, and in no other point of view that I know is the matter of the least importance, unless, indeed, it should appear, that by adding to our silver coins this very trifling additional quantity of alloy, it would render them more durable. With reference to this point, various experiments were made by Mr. Hatchett, of the Royal Society, at the request of the late Lord Liverpool, and, if I am not wrong, the result as stated is in favour of my proposition; but I may be mistaken, and this point must be determined by those who know more of the matter than I do.

We have next to provide for the purity and integrity of the coinage. With respect to our gold currency, this is already done to our hand by the law, which enacts, that if a gold sovereign be more than 0.525 grains deficient in weight, it shall no longer pass current; but no such law I believe exists with regard to our silver money, and which, however defaced, or deficient in weight, is still a legal tender by tale; and if we remodel our silver currency, this ought to be remedied, and no silver money ought to be allowed to

pass current that was deficient in weight beyond a certain trifling extent. Both the gold and the silver being then placed under and subject to the same law, and the Mint being constantly open to the public, free of expense, it is impossible, in my view of the case, that the currency (either of gold or silver) should ever become greatly debased, because, from the moment that any money falls short of the weight prescribed by law, and as such, is no longer current, it becomes mere bullion; but as bullion it is worth as much at the Mint as in the market, and it would therefore be taken to the Mint to be recoined.

It would also be of great advantage to the community, that for all gold and silver bullion brought to the Mint, money should be given immediately, or within a few days. With an increased number of mints, a comparatively moderate sum would be sufficient for this purpose, and the public money cannot be more beneficially employed.

Now, it is quite unnecessary here to remark, that the individual who brings gold to the Mint ought to have gold given him in return, and that he who brings silver ought to have silver given him in return; but I think it essential that the individual who brings bullion (whether of gold or of silver) should have it coined into such pieces of money as he himself should desire; his gold into double sovereigns, sovereigns, or half-sovereigns, and his silver into crowns, half-crowns, shillings, or sixpences. By this means the currency being left to the people themselves, will always square and keep pace with their wants and transactions; and in a matter of this nature they are much better judges than any Government whatever.

And now, to revert to my proposition, which is, that the number of mints should be increased; that we should return to the double standard of gold and silver; and that we should call in the whole of the present silver currency: and to this it will be objected, that to issue silver money of sixty-two shillings to the pound troy in exchange for money of sixty-six shillings to the pound troy, both having the same denominative value, will be attended with loss and expense. Be it so, for the sake of argument; but to whom is the loss to be imputed? Who told us to alter our ancient Mint regulations? And why did we coin silver at sixty-six shillings to the pound? And then, how pretty it is to talk of the loss and expense of a re-coinage, while our present system has already cost the manufacturers of Great Britain a very

large sum of money, and as long as it continues will subject them to the payment of a considerable annual tax. The question, however, is, whether the operation is necessary, and finally and remotely advantageous; and if so, then the loss in the first instance, be it what it will, must be submitted to.

In point of fact, however, there neither will nor can be any other loss than the mere expense of the recoinage; and this it will not be difficult to prove; for,

Let there be a silver currency of the denominative value of 10,000*l.* coined at the rate of sixty-six shillings to the pound, this will give a precise quantity of 36,363 42-66ths ounces of silver; then let this currency be called in, and other silver given in exchange for it, of the same denominative value, but coined at the rate of sixty-two shillings to the pound, and then it is clear that while the denominative value of the currency remains the same, its real value will be increased.

To accomplish the operation will require an additional quantity of about 2,346 ounces of silver; because to coin 10,000*l.* at the rate of sixty-two shillings to the pound will require 38,709 ounces; whereas only 36,363 ounces will be returned to the Mint.

To purchase this additional quantity of

silver let there be a tax imposed on the public; and then I say that there will be no loss, because there will be value for value, and precisely to the extent of the tax will there be an additional quantity of silver returned by the Mint to the public.

All that would therefore result from the calling in of the present silver currency would be the mere expense of the recoinage, and this is trifling.

We may, therefore, lay it down as a general proposition, that call in what currency we will, and from whatever cause, the only real loss to the public will be the mere expense of the recoinage.

This for the present: in my next I shall suggest other remedies.

December 28, 1825.

LETTER XIV.

ON OUR METALLIC CURRENCY.

"Les Ecus n'ont point d'opinion."—French Proverb.

We have treated of the defects in our Mint regulations, and of the law which enacts that

gold alone should be a legal tender in all payments beyond 40*s.*; and we suggested as a remedy, that the whole of our present silver currency should be called in, that the Mint should be thrown open to the public for the coinage of silver, free of seignorage and expense; that silver should be coined at the rate of sixty-two shillings to the pound troy, and that silver conjointly with gold should be a legal tender in all payments.

Let us now proceed to suggest other remedies; and then the next remedy which I propose is, that the present silver currency should be called in, that silver should be coined at the rate of sixty-two shillings to the pound troy, free of seignorage and expense, but that gold alone should continue to be the foundation of our currency, and that silver should not be a legal tender in any payment whatever beyond 40*s.*, except by agreement, and with the consent of the creditor.

Now this is really to ask so little, that it ought not to be refused; for—

1. To those who contend that one standard is less variable than two, and that gold is less variable than silver, every thing is conceded; the law gives them this one standard, and it gives it them in gold.

2. No existing debt whatever can be legally discharged, but by a payment in gold, except with the consent of the creditor; and we may rest assured that no creditor whatever will accept of a payment which is to turn to his injury.

3. By altering the law so far, and by acceding to the proposition I have laid down, we in point of fact do so little, that the matter is not worth a moment's discussion: for what is the result of the whole?—Simply this—that if an individual brings a bar of silver to the Mint, it shall be divided for him into a certain number of fractional parts; and here the matter ends. What is afterwards to become of the silver is the concern of the individual; he may or may not be able to pass it as money, either in the discharge of a debt, or in exchange for commodities; but happen what will, neither the law nor the Mint proffers him the least assistance.

The next remedy which I propose is, that we should adopt purely and simply the system of the Earl of Lauderdale; that is, to take silver alone (coined at 5*s.* 2*d.* per ounce) for our standard, and to allow gold (the Mint being open for its coinage) to circulate by convention.

By adopting this system we secure three points—

1. That the currency will be free, and that both gold and silver will find their value in the home market, either when compared with each other, or with other commodities.

2. That what we do will not require revision till Doomsday; and this is quite long enough for any system to last.

3. That with the simplicity of one standard in law, we shall have all the facility and convenience of two standards in practice.

The last remedy which I propose is, that a branch of the Bank of England should be constituted a bank of deposit, upon something like the following principle:—

That the proprietor of silver bullion, upon taking it to the Mint, shall have it immediately refined and cast into bars of standard silver, of the weight of 25, 50, or 100 oz. or any other weight that may be determined upon.

That upon depositing this silver at the Bank, the latter shall give credit to the proprietor for its amount at the rate of 5*s.* 2*d.* per ounce.

That this credit be transferrable from hand to hand *ad infinitum*, and by this means, and without stirring from their place, these bars of silver will perform all the functions of money.

That these transfers be made a legal tender in the discharge of all debts whatever, and whatever their amount; and it is impossible that any thing can be less objectionable, because the debtor, by transferring to the creditor a credit which he has with the Bank, does in point of fact assign to the creditor a certain quantity of silver, and which the creditor may take out of the Bank when he pleases.

But the whole business ought to be conducted by transfer, and the Bank ought never to be called upon to furnish Bank-notes against deposits of silver; nor would it ever be necessary.

This is a hasty sketch and outline of a bank of deposit, and now attend for a moment to its advantages:—

1. The merchant and manufacturer would find that market at home for their silver bullion which now (and to their great disadvantage) they are obliged to look for abroad.

2. This silver performing the functions of money without stirring from its place, the expense of coining, and the loss by what may be termed the wear and tear of the coins, would be avoided.

3. It would save the expense of a paper currency, and which expense, as I have proved in one of my former letters, is very considerable.

4. A bank of deposit is adapted to, and is in point of fact an improvement upon, every system of currency; and so manifold are its advantages, that upon the supposition that we were to make any of the other alterations which I have suggested, I should still say that we ought to have a bank of deposit. Nor ought the deposits to be confined to silver bullion, but this bank ought also to receive gold bullion and the gold coin of the realm in deposit.

But this plan will be objected to by the Bank of England, and the proprietors of this establishment will naturally say, that while the public reaps all the benefit of this bank of deposit, they (the Bank proprietors) will be put to a certain expense for which they will receive no remuneration; and to this I reply:—

1. That though certain fees were paid at the Bank of Amsterdam, and certain profits derived, yet profit was not the object of the establishment; for the whole expense was defrayed out of the city purse, and the gross profits of the establishment were given to the

poor. Whoever, therefore, opened an account with the Bank of Amsterdam, made a gift to the poor; charity and utility went hand in hand, and never did it enter into the notions of the good honest citizens of Amsterdam, that an institution, intended for the common benefit, should be made a source of emolument for individuals. But this doctrine will not go down at the Bank of England, where, from the long-established practice of dealing in fictions, and getting paid for those fictions as if they were realities, large profits must necessarily have been made. With such men, good to the public means gain to the Bank; and therefore we must come to other grounds; and then I say—

2. That the Bank of England is already in some respects a bank of deposit, and is bound by its charter to receive and keep for any length of time the bullion of the merchants of Great Britain free of expense. To the greater expense the Bank being therefore already subject by its charter, what we farther want is so trifling as to be undeserving of notice; because all that we should farther require, would be two or three clerks to keep a few books, and to make transfers.

3. It must be considered that the Bank is most amply remunerated for the payment of

the dividends on the national debt; and it would therefore be unreasonable that it should refuse to take upon itself the very trifling additional expense to which it would be subject by a branch of the establishment being constituted a bank of deposit.

4. And, finally, it must be considered that, during the restriction, and, as arising from its transactions with the Government alone, the Bank made a profit of about 40 millions, and this without the advance of a single shilling of real capital. Now, in its transactions with the Government, not only did it do no good, but it did infinite harm to the community; for all its advances being made in paper which intrinsically was worth nothing, but which paper (though not convertible into specie), by being made a legal tender, acted as money, the Bank neither did nor could do any thing else than raise the prices of commodities; and thereby all the transactions of the community were unhinged; the war was rendered infinitely more expensive than it otherwise would have been, and great mischief was the consequence: and to reward a company of merchants with a sum of 40,000,000*l.* sterling, not for an advance of capital, not for doing good, but for working

mischief, is a thing without example in the history of any other nation upon earth.

These are the reasons which induce me to think that the Bank of England will consent to become a bank of deposit; not for the mere purpose of receiving and delivering bullion (to which it is already bound by charter), but to transfer it from account to account, and by that means to enable the merchants to liquidate their transactions with each other, not as at present in paper and doubtful promises, but in the precious metals. But such is and must be the objection of the Bank proprietors to every thing that carries the face of solidity, that the reasons which I have urged will perhaps not be satisfactory; and then they may do as they like, for what care we for an establishment which, having departed from every sound principle, ought long since to have been put down as a public nuisance? And what signifies every objection when the remedy is at hand, by constituting a branch of the Mint a bank of deposit upon the principles which I have laid down? And in one respect the Mint is to the full as well, if not even better calculated for an institution of this nature than the Bank of England; for it might sometimes be convenient to the holder of a

credit on the bank of deposit to receive the amount in the current coin of the realm, and not in bullion, and with this he might immediately be furnished by the Mint, and the latter might replace the amount by taking the bullion and coining it into money.

But if the Mint of London is to become a bank of deposit, then I propose that all the expense which is thereby incurred should be deducted from the allowance made to the Bank of England for the management of the national debt. It is a trifle; the whole expense would not, perhaps, be 1,000*l.*; it certainly could not exceed 2,000*l.* per annum; but I contend for it upon principle.

Farther: I proposed in my last letter that Mints should be established in different parts of the empire, and I now propose that wherever we establish a Mint, there should we also establish a bank of deposit; from this no harm could result, because every thing is voluntary, and no man would be *obliged* to deposit either bullion or coin in these banks, but he might still continue to carry on his transactions in the usual way, or in any other way he thought proper. On the other hand, the utility of these banks is manifest, and from the great inroads which have been repeatedly made on the property of the people of this country by the failures of country bankers, it is become absolutely necessary that establishments should exist where the money of honest men will be in safety.

This is what I have to say on the subject of banks of deposit, but it is doubtful whether the idea will be relished; for after all it must be admitted that we have no notion of a solid system of currency, and that, taken in the lump, we are a nation of philosophical madmen; immense speculators, great boasters, and very large dealers in paper and promises, *alieni appetens, sui profusus.* But all have not bowed down the knee to Baal, and there are still some prudent plain dealing men left among us, who wish to see their property in safety, and their transactions reposing on a solid foundation; and to such my ideas may be acceptable.

And now to conclude. Wherever a free system of currency is established, every speculative opinion on the subject of money, however wild and extravagant on the one hand, or sound and judicious on the other, will lead to no practical result, and therefore can do neither harm nor good: the people are already in the enjoyment of all that the best advice can procure for them, and the very worst can do them no harm; every question

that can possibly be started is immediately met by a fact, and then the question is at an end.

Thus, when the Earl of Lauderdale recommends that the only *legal* standard should be silver, there can be no doubt, speculatively speaking (and if we are to have but one legal standard) that his Lordship is right; but carry his system into effect, let all contracts be free, and then let him be wrong, and where is the consequence? For still the Mint is open for the coinage of gold, and gold passes by convention; gold, therefore, in all contracts is a standard by convention; he, then, that chooses silver for his standard, may abide by the law, and have silver; and he that chooses gold for his standard may deviate from the law by convention, and have gold. He that has chosen one, may, by convention, convert it into the other; and again, by convention, return to his former position. We see, therefore, that a system quite simple in the outline, admits of every possible variety of combination; whereas our stupid system (like Hobson's choice) admits but of one combination, and that one, unfortunately, is to the prejudice of the public.

Thus, when I suggest that both gold and silver should be a legal tender, (being certain that there is no one position in which the creditor can be placed with two standards, in which he might not equally have been placed if one standard alone had existed); whether I am right or wrong is all a case, because every man that is dissatisfied with my opinion may not merely confine himself to one standard, but may choose which he likes, either gold or silver. Again, when I recommend that the Mint should be open to the public for the coinage of both gold and silver, and that both metals should be free to find their value, either with relation to one another, or other productions, what possible injury can result from carrying the measure into effect? For if it be not to the advantage of the public that gold should be coined, gold will not be coined; and if it be not advantageous that silver should be coined, silver will not be coined; and I shall merely have given an opinion which, leading to no practical result, will do neither good nor harm.

What matters it that both gold and silver are a legal tender in France, according to certain proportions of value between the two metals established by the French law?—when the same law allows every man to choose his own standard, and to make what bargain he pleases, either in the exchanging of gold for

silver, or both for other productions; and when, therefore, the standard of convention must necessarily control the standard of law; and every regulation which establishes the relative value between gold and silver, becomes a mere matter of speculation, which, whether right or wrong, is of very little importance.

If, during the Bank restriction, the currency of this country had been free, what harm could have resulted from that notable decision of the House of Commons, that gold and Bank-notes were at par—that is, that gold and paper were of equal value? The gold and the paper would have circulated together, each according to its value; the paper would have been at a discount, and the gold would have been at a premium; and the fact alone (without injury to any one) would have determined the falsity of the proposition. But this decision of the House of Commons being backed by an Act of the Legislature which made Bank-notes a legal tender at their denominative value in all payments, and by another act which made it penal to accept of more than a one-pound note, and a defaced worn-out shilling, in exchange for a guinea, mischief was produced; because a man was obliged to take that as an equivalent for twenty shillings in gold, which, perhaps, was worth only fourteen or fifteen; and the guinea not being allowed to find its value when compared with paper, disappeared from the circulation of the country.

We write book upon book, every fancy that springs in a fool's head is fashioned into a system; and our disputes about standards of value, and the true principles of currency, are interminable; whereas the people of France write few books on these matters, and have still fewer disputes. Why is all this?—Because we are constantly in search after that good of which they are in the practical enjoyment. If a free system of currency were to obtain in this country, all the books that have ever been written on the subject of money might very safely be committed to the flames; for it is incontestable that all a man would be required to know is the weight and fineness of the gold and silver coins of the realm; and if he had dealings with foreign countries, the weight and fineness of the money of those countries: and all this might be gathered on the one hand from the King's Proclamation, and one or two Acts of Parliament; and on the other from Dr. Kelly's *Cambist*. How simple is science! and the knowledge which is useful and necessary, how easily is it obtained!

January 2nd, 1826.

LETTER XV.

ON MONEY.

"I scarcely know any method of sinking money below its level, but those institutions of banks, funds, and paper credit, which are so much practised in this kingdom."—HUME.

IN a letter which I addressed to you, and which you had the kindness to insert in your valuable journal of the 9th of May last, I instituted a comparison between the expense of coinage, and the loss by wear and tear of a metallic currency, and the mere expense of a paper currency; and I proved, beyond the possibility of doubt, that the latter greatly exceeded the former.

But to this I said that it would naturally be objected, that though the expense of keeping up a paper currency be infinitely greater than that of a metallic, yet that the first cost of the material is much less; and in reply to this, I asserted, that every paper currency acts as a discouragement to industry, and is a tax on the productive classes of the community, and this I must now endeavour to prove; and then the question to be discussed is, which of the two, a pure metallic currency, or a well-regulated paper currency, which as to value shall be on a par with the precious metals, is the most beneficial, and affords the greatest encouragement to the industry of the community.

"Money," says Solomon, "answers all things."—"With money," says Cæsar, "we have men, and with men we have money."—"So much money," says Hobbes, "is equivalent to so much power."—But nothing of all this is to be understood as of paper money, but of what the French call *especes sonnantes*, money that sounds like a bell.

According to Adam Smith, "money is a commodity;" and why, after this, he should argue in favor of a paper currency, I am at a loss to conjecture. For if money (that is, money of the precious metals) be a commodity, then it is right to favor its circulation the same as that of any other commodity; but to substitute a paper for a metallic currency, (that is, the sign for the substance, and the promise of a thing for the thing itself), is most assuredly not to favor its circulation, but on the contrary it is to exclude it entirely from circulation; and we thereby lay down

this principle, that by substituting a thing which is of inferior quality, and therefore cheap, for that which is of superior quality and therefore dear, is in all cases advantageous to the community; and than this, nothing, I am sure, can be more absurd, for let a thing cost me what it will, yet if when I part with it I can always obtain for it that which I have given, I have lost nothing; and, work as much as I will, yet, if the object which I have acquired by my industry will always command that quantity of labour which I have expended in its acquisition, then my industry has been directed to a proper object—I have acquired wealth, and my labour is not in vain.

And therefore for Adam Smith to define money to be a commodity, and after this to argue in favor of a paper currency, is to reason wrong from right principles; and from true and correct premises to draw false conclusions: and this is his constant failing.

According to Mr. Locke and the Earl of Lauderdale, "money is an equivalent;" and this is the true definition. Now an equivalent is some one thing, which, when compared with any other thing, or with all other things, has a value in exchange; but then money, again, is a commodity, and then all commodities stand in the relation of equivalents to one another, and so much of one thing, at any given time and place, is worth so much of another thing at the same time and at the place, and then every commodity may be money: and therefore if *ex omnium consensu*, we have fixed on the precious metals for money, it is on account of certain properties which they possess, and which to the same degree are not to be found in any other substance: these properties (among others) are ductility, malleability, fusibility, incorruptibility; but the most essential thing of all is, that from their scarcity, and the great labour attendant on their acquisition, they contain great value in a small bulk: and therefore it is quite clear, that of all equivalents, gold and silver are the cheapest and the most convenient. They decay not by keeping, they waste not by fusion; and therefore it is that the ancient chymists call them noble metals.

According to the same Earl of Lauderdale, and others, "money is a standard or measure of value;" and this also is correct; but then money is an equivalent, and this brings us to the last definition: for as a measure of capacity must itself have capacity, and be capable of containing a certain portion of the thing which is to be measured; and as a

measure of length must itself have length—so likewise must a measure of value be something which intrinsically is valuable; for how can that be a measure of the value of other things, which is itself without value? And, therefore, to call money a measure of value, is but to recognize the plain old geometrical principle that *quæ sunt æqualia uni tertio sunt æqualia inter se.*

According to some, "money is a sign or representative," but money is truly a sign of nothing but itself; for though we are used to say of a man possessed of houses and land and merchandise, that he is worth (for example) 10,000*l.*, yet this is only by form and manner of speech; and we do not hereby intend to convey the idea, that the man is really possessed of this numerical amount in gold and silver, but merely this—that the different things of which he stands possessed would, if sold, and converted into money, produce this amount in gold or silver. And, therefore, when stripped of all ambiguity and looseness of expression, money here is not a sign, but an equivalent: and so that while, on the one hand, the different possessions of this man are equivalent in value to that quantity of gold or silver which is contained in 10,000*l.*, so, on the other, is this quantity of gold or silver equivalent in value to these different possessions.

According to Rousseau, "money is a medium or standard of comparison," *(terme de comparaison)*; but this again brings us to the former definition, because that it may be a true medium of comparison it must be an equivalent, and this brings us again to the principle that "things equal to a third are equal to one another;" and as the things compared are only considered to be equal to one another because each is equal to some other thing (the medium of comparison), so is this other thing singly equal to either of the things with which it has been compared, and from that moment all are equivalents: and therefore, when I say of certain sugar that it is worth 60*s*. the cwt., and again, of certain corn that it is worth 60*s*. the quarter, I do but say that the cwt. of sugar and the quarter of corn are each equivalent in value to the quantity of silver contained in sixty shillings, and the silver is the medium of comparison for the sugar and the corn, but it is only so because it is equal in value to either.

According to some, "money is a medium of exchange;" but this definition is clearly erroneous, for if a man take cotton manufactures to South America, and sell them for

silver, he has but exchanged one production (cotton) for another production (silver); and if he bring this silver to England, and get it coined at the Mint, and purchase manufactures, and pay for them with this silver, he will again but have exchanged one production for another. Let him carry on the operation as long as you please, it will still be the same thing; and supposing the trade to be profitable, and that he should, during a certain number of years, continually employ his whole capital in this manner, his gains, and even his entire capital, will alternately be in manufactures, and alternately in silver. For first a certain quantity of manufactures is exchanged for a certain quantity of silver; then this silver, on its arrival in England, and being coined into money, exchanges for a greater quantity of manufactures; this greater quantity of manufactures is again exchanged for a greater quantity of silver, and this greater quantity of silver again exchanges for a greater quantity of manufactures, and *sic in infinitum*. Now, in all this there is no medium of exchange—that is, there is no exchange of one thing for another by the medium or intervention of a third; but as between the silver and the manufactures the exchange is direct, and there is merely an exchange of one production for another production, upon the ground that the one is an equivalent for the other. And so it is in every other transaction, whether small or great, foreign or domestic. Money, therefore, is not a mere medium of exchange, but it is one of the things exchanged: nor is it a medium of circulation, but it is one of the things which circulate: in short, and to use the words of Mr. Locke, "money is not merely the measure of the bargain, but it is the thing bargained for." He, therefore, that introduces gold and silver into a country where none existed before, does but introduce new productions; and he that introduces silver where nothing but gold existed before, does but introduce a new production; the same as if, diamonds alone existing, he should introduce pearls, or that coffee alone existing, he should introduce sugar. In every one of these cases, the number of equivalents (commodities or things having a value in exchange) is increased, this increases the number of exchanges, and this is to increase trade and commerce; and there is no other way.

All this by way of definition, and as relating to money of the precious metals. But is paper-money also an equivalent? Certainly not, for if I sell 100 quarters of wheat for

400*l.*, and receive the notes of a country banker in payment, and this banker should fail while the notes are still in my possession, I shall as certainly have lost my wheat as if I had thrown it into the sea; and, therefore, when I parted with my wheat for this paper, I received no real equivalent. And, therefore, paper money is not an equivalent, but merely the promise of an equivalent; and we all know that this is a kind of promise which it frequently is very convenient to break. Witness the Bank of England from 1797 to 1819, and all the country bankers that have failed during the last thirty years.

Money, then, being an equivalent (that is, something which has a value in exchange), and it being certain that to increase the number of equivalents is to increase the number of exchanges, and to facilitate them all, and thereby to increase and facilitate trade and commerce; it will necessarily follow that to substitute money of paper for money of the precious metals is injurious to the community; because this is not to increase, but, on the contrary, it is to reduce the number of equivalents; and, therefore, it follows from the very definition of money, that paper money is prejudicial.

A moment's consideration will be sufficient to convince us that nothing can be more ridiculous than to object to the precious metals on account of their dearness; for to say that the precious metals are dear, is really to say nothing else but that they contain great value in a small bulk; but this is one great argument in their favor, and it is precisely on this account that they are so eminently adapted to serve for money.

It is quite clear, that to substitute money of paper for money of the precious metals is to set bounds and limits to the employment of labour and capital; for,

1. It is certain (as we have already shown) that gold and silver are equivalents, and that by the universal consent of mankind, every thing which has been given in exchange for them may again be had in return.

2. It is equally certain, that like all other things they may be obtained by labour; and therefore to say that we will not have gold and silver, but that paper shall supply their place, is to say that there is something valuable which may be obtained by labour, but which we nevertheless refuse to acquire. And here it is no answer to say that by substituting a paper for a metallic currency, more labour and capital may be devoted to the acquisition of other things; for then, to

be consequent, we must also say that we will not have pearls and diamonds, because our capital may be better employed; and again, we must say that we will not have a service of plate because one of tin will answer the same purpose. And indeed, it is worse than no answer at all; because it being certain that all things are obtained by labour, so may we by labour not only acquire an abundance of all other things, but of gold and silver into the bargain.

And therefore I come to the conclusion, that a paper currency, even when well regulated (and so as to be on a par as to value with the precious metals which it represents), by setting limits to the employment of labour and capital, is essentially and inherently destructive of industry; because every paper currency goes to the recognition of this most absurd, and false, and dangerous principle, that though there is something valuable which may be obtained by labour, yet that, from choice, we will debar ourselves from its acquisition.

That a paper currency acts as a tax on the productive classes is equally evident; for let an individual borrow 1,000*l.* in the notes of a rascally country banker, at an annual interest of 5 per cent.; then let this individual be able to discharge the debt—that is, let him by his labour acquire 1,000*l.* in gold or silver; and then it is quite certain, that (while, in every other respect, his position is the same) he will be relieved from an annuity which he before paid to the country banker. Now, the case of this individual is that of the whole community, *quoad* the issuers of paper, but with this difference, that though the individual may have many ways of discharging his debt, yet the debt due from the *whole* community to the issuers of paper can only be discharged by a payment in gold or silver—that is, by the substitution of a metallic for a paper currency. Now every thing is attainable by labour; for industry nothing is too difficult; by labour we obtain the precious metals; by labour, then, we substitute a metallic for a paper currency; and to say that from choice and from principle we will not do this, is to say that we will not relieve ourselves from a tax though it is in our power.

If those who speak in favour of a paper currency had contented themselves with saying, that the money of a country forms no part of its revenue, they would not perhaps be wide of the mark, and there would be no great reason to quarrel with the proposition; but diamonds, and pearls, and

pictures, and statues, and costly furniture, and, in point of fact, a great part of the personal property of the community, stand precisely in the same predicament. A service of plate, for example, yields neither interest nor income to its owner, and yet we do not quarrel with him on this account, nor do we presently, call him a fool because he does not convert his plate into money, and lay it out at interest. Now, if we neither do nor can object to the conduct of this man, (because our objection would go to discountenance the acquisition of all wealth), what have we to object to the conduct of another who holds a certain quantity of silver in crown-pieces—that is, in money? Is silver any thing but silver? and is not the real power and position of these two men precisely the same?—Certainly: the one holds a certain quantity of silver plate, and by losing the cost and expense of the fashion, he may get it coined into crown-pieces; and the other, by paying the cost of the fashion, may get his crown-pieces converted into a service of plate; both, if they like, may have plate; and both, if they like, may have money. And this applies to the whole community; some have plate and some have money, some have both, and some neither; but to no one individual of the community (and therefore not to the whole community) can the honest possession of either plate or money prove injurious.

And therefore, though the metallic currency of a country (like many other things) forms no part of its revenue, yet it clearly constitutes a portion of its wealth—that is, of the sum-total of its exchangeable values; and in times of public calamity and distress the gold and silver may be exported in order to exchange for the materials of food and clothing; and this purpose it will much more readily accomplish than any other production whatever. And therefore the gold and silver money of a country, is that portion of the surplus produce of the industry of a former period, which, not being required for the use and enjoyment of its inhabitants, has been exchanged for and vested in the precious metals; and productions that were expensive in the keeping, and perishable, have been exchanged for others which are imperishable, and may be kept at no expense whatever. And that this exchange is most beneficial to the community there can be no doubt, because, under every circumstance, all that has been parted with in order to obtain the precious metals, may again be had in return for them; if we have parted with food, we

can again have food; and if we have parted with clothing, we can again have clothing.

Now let all this be denied, and then it will immediately follow, that though corn exist in abundance in foreign parts, and no impediment to its exportation, yet if we want corn we shall not be able to obtain it for gold and silver.

Again, let it be denied, and then it will follow that, *cæteris paribus*, if one country possess a metallic currency of 10 millions, while another has the same numerical amount in paper, that the wealth of these two countries will be equal; and this, I believe, no one will maintain.

But not only will the wealth of one be greater than that of the other, but the distribution of the income or revenue of that country which possesses a metallic currency, will be much more beneficial than that of the other; because, having by its industry acquired a metallic currency, the whole of its revenue (*quoad* the present matter) will belong to the productive classes, while the other will have to feed and pamper the distributors of paper and promises, and nostrums and fictions —a whole army of quack doctors, men who thrive by the very diseases and irregularities which themselves have been the means of introducing into the commonwealth.

Precisely and to the same extent will also the resources of the Government of that country which has the metallic currency be greater than those of the country which has a currency of paper; because that tax which in the one country is paid to the issuers of paper, may, in the other, and this without the least inconvenience, to the productive classes, be paid to the State.

From what has been said, I therefore come to these conclusions:—

1. That wherever a large metallic currency exists, great industry must have been exercised; as without this it could not have been obtained.

2. That the existence of a large metallic currency presupposes an abundance of every other species of wealth, as without this the money could not find employment. And where is the use of an equivalent, when there is nothing to be exchanged? And therefore, as 10 millions of paper currency in one country, and 10 millions of metallic currency in another, presupposes the same amount of other values in both; and that paper may be had for nothing, while the precious metals

can only be obtained by labour, it is quite clear that greater industry must have been exercised in one country than in the other.

3. That by comparing a metallic with a paper currency, the distribution of the wealth of the community is much more equable, appropriate, and judicious, under the former than the latter, because more belongs to the productive classes.

4. That as every tax must ultimately fall on the productive classes, and be defrayed by means of the labour and real capital of the community, the Government of that country where a metallic currency obtains has the greatest resources; because, *quoad* the present matter, the whole of the revenue of the productive classes is a net revenue; but when a paper currency exists, the revenue of the productive classes is, *quoad* the present matter, not a net but a gross revenue. In the first case the revenue is clear and without incumbrance; in the second it is incumbered with an annuity which must regularly be paid to the issuers of paper.

And this is true upon another ground, which is unanswerable; because, by comparing a country which has a metallic with another that has a paper currency, there is in the one a greater amount of wealth than in the other, by all the difference between paper that is worth nothing and the precious metals by which every thing may be obtained; and therefore where more exists there is more to be given to the State. The country which possesses 10 millions of the precious metals, can afford to give the whole of these 10 millions to the State; and if the whole of it were to be exported, in order to support a foreign war, it would still be in the same condition as a country with 10 millions of paper. The road to hell is always open, and to descend from a metallic to a paper currency is always in our power; but to return from paper to the precious metals, *hoc opus hic labor est*. And yet we must come to it, or never will the property of individuals be in safety—never will there be the least certainty in their transactions with one another—never will there be a just and equable distribution of the wealth of the community; and never will the affairs of the State rest on a solid foundation.

In my next I shall endeavour to bring the argument to a conclusion.

January, 10*th* 1826.

LETTER XVI.

ON MONEY.

"Our modern politics embrace the only method of banishing money—the using of paper-credit; they reject the only method of amassing it—the practice of hoarding."—Hume.

We have given a definition of money, and we have maintained that all paper money is a bar to industry, and a tax on the community: and if our premises are sound, and our conclusions just, then it is in vain to allege that this country has prospered during the continuance of the paper system because precisely the same argument may be adduced to prove the benefit of public loans, a national debt, and heavy taxes; but no man will seriously maintain that loans and taxes are an occasion of wealth: and therefore if, under a system of loans and taxes, we have continued to prosper, it has not been by means of these things, but in spite of them.

Again; with reference to the public service, a loan may be of necessity, and a tax may be of necessity; and as *necessitas pars rationis est*, wise men submit and pay their money; but the tax imposed by a paper currency can never be necessary—that is, it never can be necessary, or just, or expedient, or beneficial, to the community, that a set of men dealing in promises and fictions; trading with no capital (and therefore doing no good, and therefore not entitled to profit), should reap the same advantages as men trading with a real capital. If we pay a conjuror and a harlequin, and a jack-pudding for their tricks, it is because they amuse us; but what amusement is to be found in the antics of the Governor and Company of the Bank of England, or in those of a rascally country banker, I am at a loss to imagine. Instructed, indeed, we sometimes are, but the instruction always comes too late: it is after the fact, and when our pockets have been lightened. But we soon forget all, and scarcely has one country banker failed in our debt, but we hasten to remedy the evil by setting up another, who again serves us the same turn; and then enters into our precious noddles some confounded crotchet about joint-stock banking companies; and we never reflect that the system itself is an evil, and that every paper currency (except to a moderate extent), however well

regulated, is a public nuisance: *sero sapiunt Phryges.*

Let us now go on with the inquiry, and let us see whether our definitions, and the line of argument we have adopted, are supported by facts.

From the commencement of the reign of his late Majesty (1760), to the year 1819, about 74,000,000*l.* of gold were coined at the Mint; if we add to this, the quantity of gold in circulation at the period of his accession, the whole amount cannot fall short of 100,000,000*l.*; but of all this gold, probably not 6,000,000*l.* remained in the country in the year 1819.

It is well known that a great part of this gold disappeared from circulation, and was exported to the Continent during the late war; and then, whether the exportation of this gold was or was not necessary to enable us to carry on the war, will equally serve the purpose of the present argument; for if it was not necessary, but forcibly brought about by the Restriction Act, and the substitution of Bank-notes for the legal coin of the realm (which may, I think, very easily be demonstrated), then the natural order of things was violated, and if things had been left to themselves, something that would have turned to the greater advantage of the community would have been exported in lieu of the gold. And if the exportation was necessary, then this is a confirmation of what I have said, that having acquired gold by industry, and in the day of prosperity, it becomes our stay and support in the hour of trial.

Now take another fact, which is equally deserving of attention. It is well known that immediately after the American war, a great impulse was given to the industry of this country, all the springs and wheels of action were quickened, and the period from thence to the breaking out of the war with the French Republic was one of great and increasing prosperity; and yet we find it was precisely during this part of the reign of his late Majesty, that notwithstanding the great and increasing demand for capital to be employed productively, and notwithstanding the facility of obtaining the paper of the Bank of England, by the discounting of bills of exchange, the greatest quantity of gold was brought to the Mint to be coined.

Now take the longer period, from the reign of Queen Elizabeth to Charles I., a period to which Mr. Locke in his writings repeatedly refers, and he says that, "England never throve so well, nor was there ever brought

into England so great an increase of wealth;" and yet large quantities of the precious metals flowed into the country during this period, and the currency was entirely metallic, without the least commixture of paper; and the rate of interest was 8 or 10 per cent. And this settles more than one point, and we not only learn that a metallic currency, but also that a high rate of interest consists with great prosperity.

It will be found, I believe, that in every country where a metallic currency obtains, there exists a large quantity of the precious metals, whether coined or uncoined, which does not act as money. This was formerly the case in Holland; an immense stock of the precious metals was deposited in the Bank of Amsterdam; and though a part regularly performed the functions of money, yet the greater part existed as mere merchandise: and the Dutch considered it in the same light as they would a stock of any other kind of merchandise: and, if I mistake not, this is precisely the state of things in France at the present period.

There are Frenchmen who estimate the numerical amount of their metallic money at 110,000,000*l.* sterling; others estimate it at 100,000,000*l.*, but none, I believe, bring it lower than 90,000,000*l.* sterling: but in all things we must be moderate, and therefore I shall take the estimate of Mr. Alexander Baring, which is 70,000,000*l.* sterling: add to this the paper circulation of the Bank of France (about 8,000,000*l.*, or 10,000,000*l.*), and we shall have a total numerical amount of currency of about 80,000,000*l.* sterling.

Now this amount greatly exceeds that of the United Kingdom, both paper and metallic, and yet the trade of France, both foreign and domestic, is supposed to be much less, and the prices of commodities (and this abstracted from the effects of taxation) are certainly much lower than in the United Kingdom: and therefore of two things, the one, either the mass of commodities (as compared with money) must be greater, and the dealings and exchanges between individuals be more frequent and active than we imagine, or are willing to allow; or else there must constantly be a large quantity of money out of action, existing as a *corps de reserve*, as so much wealth, and available in the day of need. And either way this is a solid enviable position; for let all the money be in action, and then it is evident from the greater quantity of money, and the lower prices of commodities, that the total mass of wealth must be much greater in France than in England.

Let a part of the money only be in action,

and then, from the non-appearance of money, we are not to infer the absence and want of commodities, but the reverse; for here the quantity of money *per se* is of no consequence, and 100,000,000*l.* of money, by raising the prices of commodities, may be brought to act on precisely the same surface as 20,000,000*l.* at lower prices; and therefore we are to infer, not only that commodities exist in abundance, but that they exist in proportionably still greater abundance than money, as otherwise the money which is out of action would be exported in order to procure them.

And then comes the final consideration, that whatever the quantity of commodities existing in France, these commodities do not circulate in company with vile trumpery paper, but along with the precious metals, and therefore, in one respect at least, and to the extent of the difference in value between 70,000,000*l.* of the precious metals, and 50,000,000*l.* or 60,000,000*l.* of paper (the precise amount is of no consequence), is France richer that England.

We see, therefore, from the example of France, that a very large metallic currency is not always incompatible with an abundant stock and low prices of commodities. But this will not hold with regard to paper money, because all, or the greater part of this money, owes its existence to borrowing: those who issue it do so upon condition that they are to receive an annual sum by way of interest for its use; and as no man borrows and pays interest for the use of money but with a view to its employment, it necessarily follows that all or the greater part of this money must regularly and constantly be in action; and then its influence on the prices of commodities must be great.

And then we perceive at once the difference between a metallic and a paper currency: the one has its origin in industry, the other in the mere act of borrowing and lending,—that is, generally speaking, in a mere dealing between a spendthrift and a swindler, and by which, sooner or later, the honest part of the public is sure to be cheated. The one is real solid wealth, while the other is but the sign and evidence of debt and distress; and yet, out of this worse than nothing do we form the sterling money of Great Britain.

Come we now to a case. It is well known that the precious metals are introduced into this country in return for our manufactures. This being the fact, let it be in the choice of the people of Manchester either that a mint shall be established among them which shall

coin their gold and silver bullion, or that a bank of credit shall be established which shall issue paper money. If they choose a mint, they find an immediate market for their returns, and without the least trouble, difficulty, or delay, their adventure is wound up and realised. Let them choose a bank of credit, and immediately the gold and silver which they import is excluded from the home-market, and must be exported. And it is no answer to say that though the return is excluded from the home-market, yet it still has the range of the foreign-market; for yet, by the exclusion from the home-market, the whole market for the commodity is narrowed, and this is to sink its value; and in the natural order of things the home-market would first be supplied with the precious metals, and then the foreign by the overflowings from the home-market. But the whole argument about a foreign market is ridiculous; for if it be right that one country should resort to paper-money to the exclusion of the precious metals, then this must be right upon principle, and then it is right that every other country should be in the same position, and then what becomes of the foreign-market? or where, in point of fact, will there be any market whatever for the precious metals, either foreign or domestic? And therefore I say this—that in a country eminently commercial and manufacturing, abounding in skill, labour, and capital, (and where it, of course, is advantageous that equivalents of every description should be multiplied), that is and must be most damnable doctrine which recommends that paper should circulate as money to the exclusion of the precious metals.

Having seen how the matter stands in argument, and having supported this argument by facts, let us now come to figures and calculation, and apply the whole of what has been said to our own peculiar situation: the text is ample; be it our task to furnish the commentary.

Paper exists: let then, the paper-issues of the Bank of England and the country bankers be 50,000,000*l*., and let them have 10,000,000*l*. of specie in reserve to answer those demands for cash that may occasionally be made upon them.

Let the rate of interest be 5 per cent., and let all the paper in circulation be issued on these terms: 2,500,000*l*. annually will then be the profit made by the Bank and the country bankers on a capital of 10,000,000*l*.

But a gain of 2,500,000*l*. on a capital of

10,000,000*l*. (which is all that is really employed) gives a rate of 25 per cent. on the capital employed; and the rate of interest being only 5 per cent., it will follow that 20 per cent. (amounting to 2,000,000*l*.) is gained by a fiction, and 5 per cent. (amounting to 500,000*l*.) on a reality.

Large profits, then, being made where no real capital is employed, this is to make a profit on that which has no existence; and it is quite impossible that a thing which has no existence, a mere fiction, can be made to produce the least benefit: not but what dreams and visions are sometimes beneficial, but they are only so to the expounders, the lying soothsayers of the community.

From what is here stated, it will follow, that of all the monopolies that ever existed, that of the Bank of England during the restriction was the most grievous and oppressive; in every other monopoly a certain capital is employed, and (whatever the profits of the monopolist) to this extent at least the community is benefitted, because to this extent there is a corresponding production; but here enormous profits were made without the employment of any capital whatever. And, therefore, it was quite impossible that the operations of the Bank of England could be productive of the least advantage; and, therefore, all the profits made by the Bank were a sheer dead loss to the community.

After this slight digression, let us return to the subject.

We have supposed the issues of paper to be 50,000,000*l.*, the stock of specie 10,000,000*l.*, the rate of interest 5 per cent., and then, as already said, the gains of the issuers of paper will be 2,500,000*l.*, of which 500,000*l.* will be gained on a real capital, and 2,000,000*l.* on a fiction; and then the position of these men is very different from that of the rest of the community, because the gain of every other man is and must be in a ratio with the quantum of labour and capital employed; but here the less the capital employed in any given extent of business, the greater, proportionably, is the profit.

Again: as when no capital is employed there can be no production; if profit be yet derived, this must be at the expense of the productive capital; and therefore all these mighty issuers of paper are supported by the productive classes.

This being the state of things, the revenue of the community under the paper system may be represented in this way:—

Total annual revenue of the community from land, labour, and capital .	£200,000,000
Deduct what is annually furnished to the Bank and the country bankers for a paper-currency of 40,000,000*l.* at 5 per cent.	2,000,000
Net revenue .	£198,000,000

After this, let the system be altered, that is—let us resolve to set to work, and by our industry to substitute a metallic for a paper currency; and let us begin by the exportation of 5,000,000*l.* of manufactures, in return for which we receive the precious metals; and then as 5,000,000*l.* of gold and silver will displace 5,000,000*l.* of paper, we have secured an immediate market for our returns; and this is a great point gained; and then, taking the profit on the capital employed in producing and exporting these manufactures at 10 per cent., we shall have the following general position of things:—

Former annual revenue of the community	£200,000,000
Profit on 5,000,000*l.* of manufactures, at 10 per cent.	500,000
Total revenue .	£200,500,000

Brought forward—Total revenue		£200,500,000
Former amount of paper in circulation on which profit was made	£40,000,000	
Reduced by the importation of the precious metals	5,000,000	
	£35,000,000	
	at 5 per cent.	1,750,000
Net revenue		£198,750,000

And so that there will be a real and immediate addition of 750,000*l.* to the annual revenue of the productive classes of the community.

And I say this position cannot be contradicted, because the resolution to displace 5,000,000*l.* of paper by means of 5,000,000*l.* of the precious metals, created a demand for this quantity of the precious metals which otherwise would not have existed: and this is to create a demand for the manufactures by means of which they are obtained.

Let the same operation, or others of a similar nature (and by means of which the precious metals may be obtained) be annually continued to the extent of 5,000,000*l.*, till the whole quantity of paper on which profit is made be displaced, and this will be the position of the community:—

Former annual revenue	£200,000,000
Deduct what is annually furnished to the issuers of paper	Zero.
Revenue	£200,000,000

And then the following will be the final result:—

1st. There will be a revenue of 200,000,000*l.*, and the whole of this will be a net revenue—that is, it will be divided amongst those who worked for it. Whereas, when a paper currency existed, the whole revenue was 200,000,000*l.*, of which, 2,000,000*l.* being given to those who merely issued paper but produced nothing, 198,000,000*l.* only remained as the net revenue of the productive classes.

2dly. The resources of the state will be improved to the annual extent of 2,000,000*l.*, and yet every thing will remain the same as when paper circulated: for, as when the community possessed a revenue of 200,000,000*l.* it could afford to pay 2,000,000*l.* annually to the issuers of paper, so, when it has nothing to pay to these dealers in promises, can it afford to pay an additional sum of 2,000,000*l.* to the state in a case of emergency, and which it could not have paid if paper had still continued to circulate.

And lastly, with every other commodity existing in the same abundance, the community will possess 40,000,000*l.* in the precious metals in lieu of 40,000,000*l.* in paper—that is, it will have 40,000,000*l.* in a production which is real wealth, and with which, in the day of difficulty and distress, it can obtain all that had been given in exchange for it, in place of 40,000,000*l.* of paper, with which it could have obtained nothing.

This is my view of the matter; and the whole of what I have stated may be summed up in these few words:—

That every paper currency is primarily *et per se* a check to industry, because something valuable existing (the precious metals) which may be obtained by labour, and it being impossible that a paper currency can exist without excluding a metallic, every paper currency must be a bar to the acquisition of the precious metals; and to content ourselves with money of paper, when money of the precious metals is to be had, is all one as if a man being able by means of a little exertion to obtain a diamond, should yet prefer to sit still and content himself with a bit of glass.

That a metallic currency, on the contrary, acts as a stimulus to industry, and gives all

possible scope to the employment of labour and capital: its very existence proves that industry has been exercised, and this existence being no bar to future industry, can present no obstacle to the future acquisition of every other species of wealth: the guinea which I have in my pocket, or laid by in a corner cupboard, is no hindrance to my labour, and can therefore be no hindrance to the acquisition of farther wealth.

I have confined my remarks to a well regulated paper currency. In my next I shall treat of the abuse of this pretty kind of money, and then bring the argument to a conclusion.

January 21st, 1826.

LETTER XVII.

ON THE ABUSES OF PAPER-MONEY.

"Law proposa son systême au Duc de Savoie, depuis premier roi de Sardaigne, Victor-Amedée, qui repondit qu'il n'etait pas assez puissant pour se ruiner."—VOLTAIRE.

HAVING compared a metallic with a well-regulated paper currency, it now remains that we treat of the abuses of paper money, and this I shall do with as much brevity as possible.

The evils resulting from the abuse of paper-money (among others too numerous to mention) are the following: fluctuations in the rate of interest and in the prices of commodities, not resulting from natural causes, but from frequent variations in the quantity of money in circulation—a wasteful and profligate expenditure, both public and private—a greatly fluctuating and uncertain public revenue—an insatiate appetite for gambling and speculation, arising from the facility with which money may be borrowed on little or no

security—in the foreign trade, diminished exports and increased imports—goods frequently imported from foreign parts; not because they are wanted at home, but because they are dear in consequence of the abundance of paper—a resale of these commodities at a great loss, in consequence of gluts and a general stagnation—an uncertainty in all transactions, and, generally speaking, in the value of all property, both real and personal—sudden and general revolutions in property of all sorts, which frequently changes masters, and so that every four or five years honest men are brought to the brink of ruin, they know not how—an intense wide-spreading desire to get rich; not slowly, gradually, and by labour, but by trick and contrivance; which an individual here and there may certainly do, because he may pick his neighbour's pocket; but that a whole community should get rich in the same manner (that is, by robbing one another) is quite impossible. In one word, a destruction of the wealth and morals of the public.

But still, say the philosophers, this money is cheap—a bold assertion: let us see how it squares with the fact; and to determine the question we need not travel far, and, from the state of things in this country pending, and since the Bank restriction, it will not be difficult to arrive at conclusions.

In a letter which I addressed to you, and which was inserted in your valuable journal of the 15th of March last, I proved that, as arising solely from the transactions between the Bank of England and the Government during the restriction, it cost the people of this country about 40,000,000*l.*

Again, in the course of the different letters which I have addressed to you, I have occasionally given reasons which induced me to think that in the various transactions between the Bank and the Government, the Bank neither did nor could render the least effectual assistance; and if this is correct, then the whole of the 40,000,000*l.* paid by the Government to the Bank was just so much money thrown away. But as this is an important point, I shall here set down all that occurs to me, and this at the hazard of a few repetitions; our object is truth, and not variety.

1. The Bank had nothing, and could therefore lend nothing; the Government said to the Bank, "Let there be money;" and though none existed before—*presto* there was money: but money of what nature?—Of paper, of

which 20,000,000*l.* may be created with the same facility, and with but little more expense than 1,000,000*l.*

Now, had the advances made by the Bank to the Government been in the precious metals, it clearly would have been entitled to remuneration, because it would have advanced a real equivalent—something which might have been exported to enable us to procure naval and military stores; but paper being of no use in foreign payments, the only effect which this paper acting as money could have was, to get up the prices of commodities at home, and by reducing the course of exchange, to cause all foreign commodities to stand higher when imported; and to raise the prices of commodities, whether foreign or domestic, by adventitious means, is most certainly to render no service either to the Government or the community; but it is, on the contrary, to work infinite mischief.

And here it is quite useless to allege that the Bank did occasionally advance some small sums to the Government in gold; for be it much or little, this gold was not the property of the Bank; the Bank could possess no gold of its own beyond the extent of its *active* capital, and this, at the period of the restriction, was only about 3,000,000*l*.* The gold advanced by the Bank was therefore the property of those individuals who held Bank of England notes, and who had received these notes as a pledge that at whatever period they applied for gold it should be forthcoming; and then came the restriction, which defrauded all

* From the official returns it appears, that, at the period of the restriction in February, 1797, the *active* capital of the Bank was 3,826,903*l*.; the amount of its advances to Government was 10,181,862*l*.; and the amount of Bank-notes in circulation was, in February, 1797, 8,640,250*l*.; the value of the cash and bullion in the coffers of the Bank was kept a secret, but it was computed at about 1,000,000 to 1,200,000*l*. In May, 1797, the notes in circulation had increased to 10,592,870*l*. As the war proceeded, (the Restriction continuing), the Bank and the Government broke through all bounds, till at length, in August, 1813, the amount of notes in circulation was 23,877,630*l*.; and the amount of the Bank advances to Government at the same period was 25,731,239*l*.

In the absence of all official information, I conjecture the state of things on this present day, the 2nd February, 1826, to be as follows:

The amount of the Bank advances to Government, or on Government Securities, (including the payments on the famous annuity), cannot, I think, fall short of 18,000,000*l*.; the Bank-notes in circulation probably amount to 20,000,000*l*. and perhaps 22,000,000*l*.; and I think we may pronounce with safety that the stock of gold in the Bank coffers does not exceed 2,500,000*l*.; a very pretty posture of affairs!

these people of their rights. Who gained by the fraud?—The Bank of England. Who suffered by it?—The holders of Bank-notes—in short, the whole community; and to every other tax to enable us to carry on the war, was superadded a tax to enable the Bank proprietors to divide large profits.

2. At whatever period (in consequence of an operation between the Bank and the Government) a certain quantity and amount of paper was emitted, there existed also at the same period a certain quantity of commodities. But this paper could add nothing to the quantity of commodities (and therefore added nothing to the wealth of the community); and therefore it could only disturb the existing relation between money and commodities, by artificially sinking the value of the former, and raising the value of the latter; and this was to produce mischief.

3. As all the Bank-notes in the world will add nothing to the real wealth of the community, it will then be said, that the system effected a better and more equable distribution of that wealth, which had been created and existed without it. But that is the best distribution of public wealth which leaves every man in the enjoyment of the fruits of his labour; and here, on the contrary, a part

of the fruits of every man's labour was taken away, to be given to the proprietors of Bank Stock, who all this while were occupied in doing worse than nothing.

4. I have said, and it has been said by men of better information than myself, and I think it may be demonstrated, that at the period of the restriction there existed 40,000,000*l.* of gold in this country. Add now to this, the quantity of paper which might always be brought into circulation, in consequence of applications for discounts at the Bank of England, and it is quite certain, that whether with relation to the trading interests of the community, or the financial operations of Government, there was money enough in the country, and that consequently there could be no real necessity for the Government to apply to the Bank: and by applying in all cases to the public the currency could not have been disturbed.

But gradually, slowly, and in proportion as the issues of the Bank of England and the country bankers increased, the gold was driven from circulation; it was first locked up, and towards the close of the war it was exported to the Continent: and therefore the people of this country stood for a considerable period of time in this most singular of all predicaments,—that while they had good money of their own, they were still compelled to pay the Bank of England and the country bankers for the use of bad; and upon no principle whatever can this be justified.

And therefore, upon these and other grounds which I have occasionally urged, I come to the conclusion, that the 40,000,000*l.* raised by taxes on the public, and paid to the proprietors of Bank Stock, in the period from 1797 to 1819, was just so much money thrown away. The foundation of the evil was borrowing from the Bank, which had nothing to lend but rags, instead of borrowing real efficient wealth from the public, when the currency and the natural relation between money and commodities would have been undisturbed.

The next item in the cost of our blessed paper-money results from the operations between the Bank of England and the Government from 1819 up to the present period. To these our former observations and principles will equally apply; for though not carried to the same extent, yet they are of precisely the same nature as the operations during the war: all of them unnecessary and destructive of the best interests of the community. But having much to spare, I shall here be liberal, and though I am confident that it amounts to more, yet I shall set down this item at only 5,000,000*l.*

The third item in the account results from the operations of the country bankers; for gold (as already said) existing in the country, it never could be necessary to pay for the use of this trumpery ware. Taking, then, on the one hand, only part of the gains of these men, and, on the other, the whole of the loss to the community from their failures and bankruptcies we are very moderate when we set down this item at 30,000,000*l.*

The last item is derived from the loss to the nation in its foreign trade: and this requires a little explanation. We have often insisted on it, and it has been insisted upon by others, and indeed the thing is too clear to admit of doubt, that it is the effect of an excessive issue of paper to drive gold out of the country; but this it neither does, nor can accomplish, without first raising the prices of commodities; for as, in a country highly commercial and manufacturing, full of labour and capital, all commodities in a natural state of things are generally at moderate prices, and that thereby gold and silver are induced to flow in; so must a contrary state of things arise, and commodities which had been cheap

must become dear, before gold and silver can be exported. And then we see the influence of excessive issues of paper acting as money, because this influence being exercised on all commodities with which it comes in contact, not only are home products high in the home market, but foreign products also; and this, be it again observed, is not owing to natural causes—not to an increased cost of production, or to the state of supply and demand, but goods of all sorts are dear, because the vile money with which they are compared is cheap.

Foreign products then being dear in the English market, not only does this produce a rise of prices in the foreign markets, but the abundance of money having generated an artificial speculative demand for these products, a much larger quantity is imported than consists with the regular natural demand: this produces a glut, and the consequence of a glut is, that sales must be effected at low and ruinous prices. But the great loss results from the mode in which we pay for these foreign products: in something the payment must be made, and it is quite natural that this should take place in that commodity which is cheapest; but this commodity is gold, and therefore gold is exported. But as when this gold was imported, commodities of all sorts were low, and as when it is exported commodities of all sorts are high, this is to buy gold dear and to sell it cheap, and this leaves a loss. Now, to estimate this loss with accuracy is impossible, but it must have been very considerable; and I am quite sure that to take the average loss throughout a series of years at 1,000,000*l.* per annum, is to keep much within the mark; and therefore for this item, and for the period elapsed from 1797 to 1826, I shall set down 29,000,000*l.*

This is the account; I have exaggerated nothing, and I have set down nothing that is not palpable, visible, tangible, and then I have said nothing at all of the irregular, vicious distribution of public wealth which this paper system has produced, nor of the utter confusion into which it has thrown the affairs of the community.

What is the sum-total of the different items which I have enumerated?—104,000,000*l.*; and yet the philosophers maintain that paper is a cheap currency!

But all this loss arises, it will be said, from the abuses of a paper currency. Be it so; but when did there ever exist a paper currency that sooner or later was not abused to the very worst and vilest of purposes? Abuse, indeed! Give us but one such abuse in 2,000 years, and then it is quite certain, even upon their own principles, that the cost of a paper currency will exceed that of a metallic; for I lay it down as a position, which I think cannot be impugned, that 50,000,000*l.* of a pure metallic currency is more than sufficient for all the purposes of this country, whether commercial or financial. It is equally certain that the loss by wear and tear of a metallic currency does not exceed 10 per cent. in a century; and then the matter will stand thus:—

First cost of a metallic currency 50,000,000*l.*, which by the effect of wear and tear will be lost in 1,000 years; then a second sum of 50,000,000*l.* must be expended, which at the expiration of another 1000 years will again be lost; and so that in 2000 years, a metallic currency will cost 100,000,000*l.* being at the rate of 50,000*l.* per annum; whereas we have seen, that in the space of 29 years this paper system has cost us 104,000,000*l.* which is at the rate of 3,586,206*l.* per annum: and yet we are told that paper is a cheap currency!

Now attend to the final result in another point of view.

This paper money, as we have shown, has cost the poor deluded people of this country

104,000,000*l.*: and then, taking the rate of interest at five per cent., this is equivalent to a perpetual annuity of 5,200,000*l.*; and all this has happened, and all this injury has accrued, because Adam Smith and Mr. Pitt would have it that paper was better than gold. Now, that Adam Smith, so far as regards these matters, was the most superficial man alive, is quite certain; and that Mr. Pitt knew nothing whatever of the subject, is equally certain; and therefore the only wonder is this—that the plain common sense of the country would allow of the perpetration of such enormities. Little did Mr. Burke think, when in such just and forcible language he was describing the evils resulting from paper money in France, that very soon the same system (which though not carried to the same extent, has been of infinitely longer duration) would be introduced into his own country!

I have now brought the argument on money in general, and on the abuses of paper money in particular, to a conclusion: it now remains that we point out a few remedies, and this I shall do in my next letter.

January 27th, 1826.

LETTER XVIII.

PLAN FOR THE REGULATION OF OUR PAPER CURRENCY.

"Rappeller les hommes aux maximes anciennes, c'est ordinairement les ramener à la vertu."—MONTESQUIEU.

IN my last I treated of the abuses of paper money, as derived from fact and the workings of our own system; and to this there can be no reply. But then we are promised wonders for the future; and though paper is still to circulate, yet this is to be upon entirely new and different principles, and poor people are no longer to suffer by the failures of country bankers. How is this to be accomplished? By the establishment of joint-stock banking companies, all composed of prime solvent men; and we are even to go further than this, and no man or set of men is to be allowed to issue notes without giving security. Now this is certainly to have a solvent paper currency, and such as any man may take without fear; but if we think that by this means we shall have a well-regulated paper currency, we are very much mistaken. For, as regards a paper currency, that only is a sound and well-regulated state of things, when no greater numerical amount of paper is in circulation than would have circulated of the precious metals if no paper had existed. And, therefore, that a paper currency should be well regulated, it is not sufficient that the parties who issue it are solvent, but we have also to guard against an excessive issue; and this is not to be accomplished, either by the certainty that those who issue paper are solvent, or by their giving security: for let this security be in land, and then in principle we have no other limit to the circulation of paper than the value of all the land in the country: let it be in Government securities, and we have no other limit to the circulation of paper, than the amount of the national debt, and yet the paper might be valid. And then I ask, whether it is possible to lay down a more ridiculous proposition, or to invent a more monstrous scheme than this, which in principle has no other limit than the conversion of all the land and personal property of the country into currency?*

* *Nihil sub sole novum.* The principle here laid down was precisely that of Law, the largest dealer in paper and ideal values that ever existed, and who converted the whole national debt of France into currency. This is what Voltaire says on the subject:

"Law, séduit lui-même par son systême, et ivre de l'ivresse publique et de la sienne, avait fabriqué tant de billets que la valeur chimérique des actions valait en 1719, quatre-vingt fois tout l'argent qui pouvait circuler dans le royaume. Le Gouvernement remboursa en papiers tous les rentiers de l'Etat."

For the rest, I am quite certain that a paper currency is not deserving a moment's consideration, and that the best remedy we can devise is (not violently, perhaps, but gradually) to abolish it altogether. But if we will have a well-regulated paper currency, the thing is quite simple, and we must allow no small notes to circulate, either of the Bank of England or of the country bankers. And here my opinion is, that we ought to adopt the method pursued in France, where they have no notes under 20*l.*; but I am quite certain that no notes ought to circulate of a less value than 10*l.*

In short, if we wish for a paper currency that cannot by possibility lead to abuse, I should propose the following plan:—

1. The foundation of the evil being in the intimate connexion subsisting between the Bank of England and the Government, this

connexion ought to be dissolved, and this by means of a public loan sufficient to pay off the whole of the floating debt, due from the Government to the Bank: and by a loan of this kind, and for this object, payable in small instalments, and at periods pretty considerably distant from each other, no inconvenience would result from the withdrawing (as would be the case) of Bank-notes from circulation, because their place (to all the extent at least that a sound state of things should require) would be supplied, either in consequence of applications for discounts, or by an importation of the precious metals.

By dissolving the connexion between the Bank and the Government, I do not, however, mean that the Bank should be deprived of the exclusive privilege which it now enjoys, of paying the dividends on the national debt, or of any remuneration to which on that score it may be entitled: nor do I mean that in a case of emergency, it should absolutely be debarred from making advances to Government; but the amount ought to be defined and limited, and however small it may be, this amount ought, almost immediately after, to be raised by public loan, and the debt due to the Bank discharged. By this means it would be impossible that

any great excess of currency should be produced by operations between the Bank and the Government; because every thing that was borrowed, though borrowed in the first instance from the Bank, would ultimately be borrowed from the public, and this leaves the currency undisturbed; and this is the true principle, and it is from not having attended to this principle that we owe all the mischief that has happened.

2. The sum to be paid by the Bank for the purchase of the far-famed annuity, will, in 1828, amount to so considerable a sum, as to be out of all proportion to its *active* capital; and being totally incompatible with its regular business, and the original principles of the institution, it is well deserving of consideration whether the Bank ought not to be compelled to sell a part of this annuity.

3. I would prohibit the Bank from making advances to individuals on land or on Government securities. Advances of this nature are clearly contrary to every sound principle of banking; and when the peculiar nature of a bank of credit (that is, of a bank which issues promissory notes, and which notes are to pass as money) is taken into consideration, they are objectionable on other grounds. For, take the case of an advance on land, and

(as already said) there clearly is no limit in principle to the circulation of paper, but the value of all the land in the country: and here it is quite useless to say that the Bank will use discretion and limit its advances; for then, of two men having precisely the same security to offer, the one is to have money and the other not; and this is contrary to all principle.

The same observations apply to advances on Government securities; but nothing of this applies to regular banking business—that is, to the discounting of bills of exchange; because, though as mere bills of exchange they are all alike, yet, from the different degrees of credit and solvency, one bill of exchange having a much greater certainty of being paid than another, scope is afforded for the exercise of judgment and discretion; and so that while one bill is discounted, another may very fairly be rejected. In short, all advances on land and Government securities, when made by banks of credit, naturally and inevitably lead to an excess of currency; and therefore all such advances ought to be made by individuals who, having money (but not money of their own creating), may employ it in any manner they please. By this means all excess of currency is prevented, because

all the money brought into action, and however employed, proceeds from real transactions in commodities.

4. I would enact, that after a certain time to be named, no notes, either of the Bank of England or of country bankers, should circulate of a less denominative value than 5*l.*; and that after a certain other time to be named, no notes should circulate of less value than 10*l.*; and finally, and at a more distant period, that no notes should circulate of a less denominative value than 20*l.*; it being clearly understood that every note issued is to be instantly paid in specie on demand, the remedy for a refusal to be by summary process.

Upon this plan, and subject to the conditions I have enumerated, I would leave the trade of banking free as air; and never would I think of establishing joint-stock companies by charter, or favor in any way whatever the circulation of paper; for the main evil to be remedied is an excessive paper currency; and this is not to be done by restricting the issues of this paper, either to persons that give security, or that are known to be perfectly solvent; but, on the contrary, this is to increase the evil, from the facility with which paper of this description, from its known validity, would circulate.

It will then be said, that to adopt my plan, is to destroy the trade of the banker—not of the real banker, but of the false, the spurious, the illegitimate banker. What is a banker? —One that trades or deals in money: but to this the existence of paper money is not necessary; for why should a banker not deal in money of the precious metals as well as in money of paper? Is it otherwise in France? —Certainly not. Why, then, should it be otherwise in England?

Take the trade of a London banker, or more properly speaking of a London cashier; this man keeps the cash and makes the payments of merchants and tradesmen, and he may be remunerated either by allowing him a small per centage, or by leaving a balance in his hands, which he may employ in discounting bills of exchange; and in whatever way he is paid, his gains are fair and legitimate: but this man issues no paper, and a balance of 10,000*l.* left in his hands, in the precious metals, may be employed by him to the same advantage as if it had been in paper. I am also quite certain, that with a metallic currency, his business would rest on a much more solid foundation than at present.

Then take the trade of a country banker, whose business differs in some respects from

that of a London banker, inasmuch as that, generally speaking, he allows interest on the deposits of his customers; or, in other words, he borrows money at a low rate of interest, and lends it at a higher; and to this no objection can or ought to be made: but whether the currency were of paper or metallic, he might still continue to do the same thing. What branch of his business, then, would be curtailed?—The power of inundating the country with paper; the power to derive profit without the employment of capital; and which ought to belong to no man.

And therefore it is quite clear that the real solid trade of a banker has no sort of connexion with a paper currency; and that the faculty of issuing paper *ad libitum* is but an abuse of this trade, which ought to be abolished.

But if we destroy altogether, or greatly diminish, our paper currency, how are the taxes to be levied?—In just the same way, and with just the same facility, as at present; unless, indeed, the advocates of a paper currency will give up the whole argument, and confess that our present paper currency is not on a par as to value with the precious metals; and this would be an additional reason for its abolition. But if it be as to value on a par with the precious metals, then, whether we remain as we are, or displace our paper currency by a metallic, will, as far as the taxes are concerned, be the same thing.

France is heavily taxed: her public revenue amounts, I believe, to upwards of 35,000,000*l*. sterling: and yet a metallic currency presents no obstacle to its collection.

But if our present currency should not, as to value, be on a par with the precious metals, what are we then to infer, and to what will it lead? Not to an argument in favor of a paper currency; but the argument, if available at all, must go to a reduction of the metallic standard. And what does this amount to?—To a declaration of insolvency, and a compounding with the public creditor. But if this is to be the end of all our folly and extravagance, it ought to be done plainly and openly, and not by the fraudulent clandestine method of a reduction of the standard, either by means of paper, or by a reduction either in the weight or fineness of the coins of the realm. Has not the fundholder been cheated enough already?—Certainly: witness the payment of his dividends in vile depreciated paper from 1797 to 1819: and witness the more recent transactions of the reduction of the 5 and 4 per cents. Was it necessary that he

should be cheated then, or is it necessary that he should be cheated now?—Certainly not: because, from the very principle on which our national debt is constructed, it is as clear as any proposition in Euclid, that if it even were double its present amount it might be honestly and faithfully discharged. And this, though not strictly appertaining to the present inquiry, is perhaps deserving of attention.

On what principle, then, is our national debt constructed?—On this—that the fundholder having always been, and still being (and this most justly), taxed in common with every other class of the community, it necessarily follows that he contributes to the payment of his own dividends; and then it will also follow that, in every question which regards a discharge of the debt, this debt itself must contribute to, and assist in, its own redemption. In this there is no injustice to the fundholder; on the contrary, it emanates from the very principle on which the debt was contracted, and in point of fact a redemption of the debt upon this principle does but place the fundholder in that precise position in which he stood when the debt existed; for as when the debt existed he was entitled to a certain revenue, but which revenue was subject to a tax, so by the discharge of the debt will he come into the possession of a certain capital which will yield him a certain revenue, and which, though less than his former revenue, will be subject to no tax whatever.

This being the principle, let us suppose a debt of 800,000,000*l.* to exist, and that the real and personal property of the country taxable and applicable to the discharge of this debt shall amount 1,600,000,000*l.* It would then, *prima facie*, appear, that in order to redeem the debt, a tax of 50 per cent. would be necessary; in reality, however, a tax of only 33 and one third per cent. would be required, because to the real and personal property of the country must be added the amount of the debt itself; and then the sum applicable to redemption of the debt is not 1,600,000,000*l.*, but 2,400,000,000*l.*

Again: let the debt be 1,600,000,000*l.*, and let the real and personal property of the community amount to the same sum; and then, *prima facie*, it would appear that to discharge the debt would require a tax of 100*l.* per cent., or, in other words, that all the real and personal property of the country must be taken from the present possessors to be given to the fundholders: in reality, however, a tax of 50*l.* per cent. only would be necessary, because to the amount of

1,600,000,000*l.* of real and personal property must be added another 1,600,000,000*l.*, the amount of the debt itself, and which, *ex naturà rei*, must contribute to its own redemption.

In various plans which have been devised for the discharge of our national debt, this which I have mentioned has been laid down; but here has been the error—that it has constantly been brought forward in the shape of an arrangement, and as a proposition to be submitted to the fundholder; whereas it is a principle derived from the very nature of the thing; and from the very contract between the Government and the fundholder (by which as long as the debt exists the fundholder is to contribute to the payment of his own dividends) the public debt is bound to contribute to its own redemption.

I am not here arguing for or against a discharge of the debt; nor does a matter of this nature properly belong to the present inquiry; but this, at least, is certain—that whether we redeem the debt, or impose an income-tax for the payment of the dividends, must, as to every real purpose, come to the same thing; and indeed in one respect an income-tax is the preferable mode, as by that means many would contribute (and who ought to contribute) to the payment of the dividends, who, having no property, would contribute nothing to the discharge of the debt.

By imposing an income-tax we also secure two other most important points:—

1. Low prices of commodities; because to all the amount of the income-tax, might taxes on commodities be either wholly repealed or reduced.

2. A tax on income would reach absentees; and this is highly desirable. There are many Englishmen who derive their incomes from the British funds, and from the rent of land situate in this country, but who, by residing and spending their money in foreign parts, escape all taxation; and not only would an income-tax reach those persons, but I am also persuaded that by means of a metallic currency, and a total repeal or reduction of taxes on commodities, every thing would be at such moderate prices in this country, that all or the greater part would be induced to return.

A few words more. It appears to me that the nature of our national debt is entirely misunderstood. Now, as I take it, this debt is nothing but the record and evidence of money spent, which had voluntarily, and free of expense, been furnished by the people, but which money, if it had been raised by taxes,

(and at great expense) would have been spent in the same manner.

Our national debt has been produced, and has reached its present amount, by a succession of loans; and, whatever may be advanced to the contrary, every loan is in substance a tax, and leads to precisely the same results; for as when taxes are imposed, a certain portion of the wealth of the community is thereby placed at the disposal of the Government, so, when money is raised by loan, is it the same and no other thing; and the interest of the loan is entirely out of the question, because this interest is not placed at the disposal of, and is consequently not spent by, the Government; but in the receipt of this interest by means of taxes, and in its payment to the fundholder by means of dividends, the Government merely acts as trustee to the fundholder. And then from all this it follows, that annually to raise any given sum by an income-tax, or annually to raise the same sum by loan, with an income-tax for the payment of the dividends, requires that a country in both cases should be possessed of precisely the same resources.

Having said something on the subject of loans and a national debt, it will not be amiss that we say a few words touching the character and situation of a fundholder; and then a very small measure of reflection will be sufficient to convince us that the fundholder is a person who, when money was wanted for the service of the State, advanced (and this, consequently to the relief of others) more than his contingent would have amounted to if this money had been raised by taxes; for let him advance less, and then his quota of the tax imposed for the payment of his dividends will amount to more than his dividends; let him subscribe precisely that sum to the loan to which he would have been assessed if the money had been raised by a tax, (an income-tax, for example), and the proportion of the tax which he will have to pay in order to secure the payment of his dividends, and the amount of the dividends which he will receive will be precisely equal. And therefore it is only by advancing more than his contingent would have amounted to if the money had been raised by taxes, that this man becomes a fundholder. And then I simply ask this question, whether it is right that the man who, when money was wanted for the service of the State, voluntarily came forward and relieved others by advancing more than his proportion, should be cheated out of the smallest portion of his income,

either by a vile paper currency or a reduction of the metallic standard?

This concludes my labours: and should I have occasion to trouble you hereafter, it will be merely on some detached points of minor importance. I now address the good people of these realms, and I say this:—Pay for an opera-dancer if you like; pay Braham; pay Catalani; pay Mathews; pay even for a song at an ale-house—it will cheer your spirits, and you will return to your usual labour with renewed alacrity: and even Adam Smith's frugal man will tell you, that it is one of the properties of wealth to be able to command amusements: but that you should waste your wealth and resources in the support of a trumpery paper-system, in which there is no amusement, and set limits to the employment of your labour and capital, for no other earthly purpose than that certain grave plausible men may ride in their carriages, does, I must confess, greatly exceed my comprehension.

January 31*st*, 1826.

NOTES.

NOTE I.—LETTER VII. PAGE 97.

The immediate effect of an increase in the quantity of money, is a reduction of the rate of interest; but the ultimate effect is a rise in the prices of commodities, and then the rate of interest returns to its former level, because, by a rise in the prices of commodities, all the additional quantity of money infused into the system finds employment, and then there is the same demand for money, and consequently the same rate of interest as before the addition was made.

On the other hand, the immediate effect of a diminution of the quantity of money, is a rise in the rate of interest; but the ultimate effect is a fall in the prices of commodities; and when once this fall has taken place, (the proportion between money and commodities being thereby restored), the rate of interest returns to its former level.

The rate of interest being ultimately governed by the rate of profit, and not by the quantity of money, all interest for the use of money is effect, and not cause; and, therefore, *per se*, it can be of no consequence whether the rate of interest be high or low; but it is of consequence that the rate of interest should neither be raised nor lowered (even temporarily) by artificial means, because by this means sudden and violent changes take place in the distribution of the wealth of the community, for which no man is prepared.—And this is one of the curses of the paper system, that is of the power suddenly to throw into, and then as suddenly to withdraw from, the circulation, a large quantity of money which had no original connection with commodities or any real transaction, and which could therefore have no other ultimate effect than to disturb the natural relation and proportion between money and all other things.

But nothing of this could happen with a metallic currency, because every part, and down to the smallest particle of this currency, having its origin in labour and industry, it can neither be increased nor diminished *ad libitum;* if we have too much it will be exported, and something valuable obtained in return: and then, by the diminution of money on one hand, and the increase of commodities on the other, the former equilibrium will be restored: if we have too little, this is but to say that compared with money the quantity of commodities is too great; and then commodities will be exported in order to bring in the precious metals, when the equilibrium is again restored; and that which is the measure of the bargain, (money), being also the thing bargained for, there is the same wealth, the same mass of exchangeable values as before, but a part of this wealth is in a different production.

The rate of interest being then in itself of no consequence, and being ultimately governed by the rate of profit, the only real question is between a high and low rate of profit; and as derived from the nature of things, and all fact and experience, there can be no doubt that an increasing rate of profit is favorable to the acquisition of wealth; so can there be no doubt that an increasing rate of interest, when not produced by artificial means, is a sign of increasing prosperity.

Let us now see what one of the wisest of men (Mr. Locke) says on the same subject; these are his words:

"High interest is thought by some a prejudice to trade; but if we look back we shall find that England never throve so well, nor was there ever brought into England so great an increase of wealth since, as in Queen Elizabeth's, and King James I., and King Charles I., time, when money was at ten and eight per cent. I will not say high interest was the cause of it, for I rather think our thriving trade was the cause of high interest, every one craving money to employ in a profitable commerce. But this I think I may reasonably infer

from it, that lowering of interest is not a sure way to improve either our trade or wealth."

Now if all this is correct, then what erroneous notions we entertain regarding these matters! and what pretty innocents we are! to vaunt (as we have done) the high price of land and of government securities, and the low rate of interest, and all the great and glorious effects produced by the operations of a sinking fund. Just as if the high price of land will increase its fertility, or augment its rental. Just as if the high price of government securities can add one particle to the general wealth of the community. Just as if a reduced rate of interest is not a sign of a reduced rate of profit; and thereby indicating that the resources and prosperity of a country are on the wane. And just as if the effect of a sinking fund is not to increase the value of that debt which it is intended to discharge, and by that means to counteract its own purpose, and to render the final discharge more difficult.

NOTE 2.—LETTER VIII., PAGE 103.

We have asserted three things which we have neither proved, nor attempted to prove, because, whether true or false, they can lead to none, or but very slender consequences; they are—

1. That it is false even in speculation that one standard is less variable than two.

2. That the present relative value between gold and silver is the same, or as nearly as possible the same, as it was 40 years ago.

3. That the difference in the relative value between gold and silver, has not exceeded two or at most three per cent. in the last century; and that a difference to this extent could have but little influence on the position of either debtor or creditor.

And that nothing may remain untouched, we will now say a few words on these points; if it should lead to no results in practice, we are at least offered matter for curious and amusing speculation.

And first, of the first. It is admitted on all hands that there is no invariable measure of value; and it is equally certain, I believe, that if an invariable measure of value were to exist, it would lead to no greater utility, nor any different results in practice than a variable standard. For though it is highly necessary that we should have uniform measures of length and capacity, and this upon two grounds:

1. With reference to the use to be derived from the thing measured, and its adaptation to certain purposes.

2. With reference to the exchangeable value of certain portions of different things; for though when means exist of determining different quantities of different things, we are enabled to pronounce that a yard of cloth (for example) is worth two bushels of corn; yet, if we had no means of measuring either the one or the other, it is quite impossible that an exchange of the one for the other could be effected upon any accurate principle.

Yet nothing of this applies to a measure of value, because a measure of value, if even invariable, is still an equivalent; and, therefore, unless we can communicate the same fixedness and invariableness of value to all those things with which it is compared or exchanged, we should have precisely the same state of things as with a variable measure of value; and any given quantity of gold, (or any other production), though invariable in its value, would still continue, as at present, to exchange for a greater or less quantity of other productions, the value of which should be variable; and if the corn, which last year was worth forty shillings, should this year be worth sixty shillings the quarter, it matters nothing, either to the owner of corn, or the owner of money, whether the variation be in the money or in the corn; and the bare knowledge of the fact would not alter the position of either.

It being then admitted that there is no invariable standard, it will follow:

That either by the increased difficulty or facility of producing gold on the one hand, and the increased difficulty or facility of producing silver on the other; or that either the difficulty or facility of producing both shall have increased, though in different degrees and proportions; I say it will follow, that we have no fixedness or certainty, if we take gold alone for our standard; and for the same reasons we have again no certainty if we take silver alone for our standard.

But then in favour of one standard this is alleged, that if we take gold alone for a standard, we are only exposed to the variations between gold and commodities; and that if we take silver alone for a standard, we are again exposed but to this one variation between silver and commodities: whereas, if we take the double standard of both gold and silver, we are not only exposed to the variation with commodities before alluded to, but that we have also to contend with the variations that may take place between gold and silver.

This then is the question to examine; and we have to ascertain (there being no invariable standard) whether there is any one state of doubt or uncertainty, or any one single position in which a man can be placed by the adoption of two standards, in which he might not equally have been placed by the adoption of one standard alone.

This being the question, it appears to me, that every thing relating to it may be summed up in this manner.

Let there be one standard, and if it advance in value, as compared with commodities, the creditor will gain at the expense of the debtor; and, if it decline, the debtor will gain at the expense of the creditor; and therefore one standard gives no certainty.

Let there be two, and as long as they continue to maintain the same proportions with each other, and to bear again the same value as compared with commodities, it will be the same as if there were one standard, and neither the debtor nor the creditor will gain.

Let both advance (and this in an equal degree) as compared with commodities, and the creditor will gain at the expense of the debtor; but it will still be as if there were only one standard.

Let both decline (and this in an equal degree) as compared with commodities, and the debtor will gain at the expense of the creditor, but it will still be as if there were only one standard.

Let one advance in value as compared with commodities, while the other remains stationary, and though all payments will be made in the latter (except by convention and at an agio), yet all contracts will be strictly fulfilled, and the debtor will neither gain at the expense of the creditor, nor the creditor at the expense of the debtor; because that metal which has the least value as compared with the other, will still bear the same relative value to commodities as when the contract was made.

Let one decline as compared with commodities while the other remains stationary, and the debtor will gain at the expense of the creditor; but precisely the same thing might have happened with one standard, because the metal which has declined might have been selected for that standard.

Let one metal advance while the other declines in value, and then the result will be the same as if one alone had declined; because the loss to the creditor will proceed from the decline in the one metal, and the debtor can gain nothing by the advance of the other.

And, therefore, as the result of the whole, it does appear, that when two standards exist, there is no one real injury that the creditor can sustain, but when that metal in which payment is made shall have declined in value as compared with other commodities. But precisely the same thing must have taken place, if that metal alone in which he receives payment, had been the standard: and to precisely

the same thing was he exposed (there being no invariable standard) if the other metal had been taken for a standard.

From what has been stated, we therefore see, that there is but one case in which the creditor can gain; and that is when the standard in which the contract is to be fulfilled shall command or exchange for a greater quantity of commodities than when the contract was made: but here we must carefully distinguish; and though I have already slightly alluded to the point, yet its importance is of that nature as to demand a more ample elucidation.

It will not then follow in all cases, that the gain of the creditor will be at the expense of the debtor, or because the creditor gains, that therefore the debtor will lose; for this gain may not arise from an increase in the value of the standard, but from that real decline in the value of commodities, which is the result of an increased facility of production; and in this case the creditor does but participate in a benefit which is common to all; but if the gain to the creditor should not proceed from a decline in the value of commodities, but from a real advance in the value of the standard, while the value of commodities remains unaltered, then, as already said, the creditor will most certainly gain at the expense of the debtor.

As there is only one case in which the creditor can gain, so is there also but one case in which he can lose, and that is when any given portion of the standard in which his contract was made, shall exchange for a diminished quantity of commodities; but here again we must distinguish; for if this proceeds from a real advance in the value of commodities occasioned by increased difficulty of production, then, though the creditor will lose, yet the debtor will not gain: but if the loss of the creditor be occasioned by a real decline in the value of the standard, while the value of commodities remains unaltered, then the debtor will gain at the expense of the creditor.

There being therefore but one case in which the creditor can gain, and again, but one case in which the debtor can gain; I shall now proceed to sum up all that relates to this part of the inquiry.

That which is easily obtained is cheap, and that which is obtained with difficulty is dear, and therefore cheapness implies facility, and dearness difficulty, of production; and, therefore,

By increased facility in the obtaining of the precious metals, without a corresponding and proportionate increase in the facility of producing commodities, the creditor will lose, and the debtor will gain; for, as compared with commodities, every given debt in money will be acquitted by a smaller quantity of commodities, while, on the other hand, any given quantity of commodities may still be obtained with the same facility as before. The creditor therefore receives less, because the money in which his debt is paid will exchange for a smaller quantity of commodities; and the debtor pays less, because any given quantity of commodities (the facility of production remaining the same) will exchange for a greater quantity of money, and therefore it will cost less labour, or the price of labour, to acquit a debt.

By increased facility in the obtaining of the precious metals, accompanied by a corresponding and proportionate increased facility in the production of commodities, as the prices of all commodities when estimated in money will remain unchanged, there will be no gain either to the debtor or the creditor as such; but as consumers of commodities, both will gain.

By increased facility in the production of commodities, without a corresponding and proportionate increase in the facility of obtaining the precious metals, the creditor will gain, but the debtor will not lose; for though on the part of the debtor it will require a greater quantity of commodities to enable him to acquire that assigned quantity of the

precious metals which is due to his creditor, yet to acquire this increased quantity will subject the debtor to no increase of labour or difficulty.

By increased difficulty in the production of commodities, without a corresponding and proportionate increase in the difficulty of obtaining the precious metals, the creditor will lose, but the debtor will not gain, for though on the part of the debtor, a smaller quantity of commodities will suffice to exchange for that quantity of the precious metals which is destined to acquit a debt, yet to obtain this smaller quantity will be attended with as much labour and difficulty, as to obtain a greater quantity in the former state of things. Taken therefore in their respective characters of creditor and debtor, one will lose while the other will not gain; but as consumers of commodities both will suffer.

By increased difficulty in the obtaining of the precious metals, without a corresponding and proportionate increase in the difficulty of producing commodities, the creditor will gain, and the debtor will lose; a larger quantity of commodities will be required to obtain that quantity of the precious metals which is destined to acquit a debt, and the powers of production remaining the same, this larger quantity of commodities can only be obtained by means of additional labour and difficulty.

By increased difficulty of production, not merely with relation to the precious metals, but to commodities also; the debtor will lose, but the creditor will not gain; for the prices of all things when estimated in money will remain the same as before, the same quantity of commodities will therefore suffice to obtain that quantity of the precious metals, which is to acquit a debt; but the debtor can only obtain this quantity by means of additional labour and difficulty.

One point still remains, and this I shall discuss with as much brevity as consists with a proper explanation.

It is well known, then, that independent of their value in exchange, gold and silver have a value *per se*, and in use, and this because they may be manufactured into plate and trinkets, in short, into a variety of articles both useful and ornamental; and their having been converted into money does not unfit them for this purpose, for being malleable, ductile, and fusible, they may easily be converted from money into plate, and from plate again into money; and all this without waste or diminution.

This being laid down, put it now that the established legal proportion between gold and silver shall be as 1 to 15, and that by virtue of a contract one man shall owe a debt to another, and which debt, according to these proportions, shall be equal to 10 ounces of gold or 150 ounces of silver, and that the debtor shall have the option to pay in either gold or silver. Then put it that 10 ounces of gold will be sufficient to make ten gold watches with their cases; and that 150 ounces of silver will be sufficient to make 150 silver watches with their cases; put it finally, that when the debt is discharged, the proportion between gold and silver shall have so varied, as that 10 ounces of gold shall be worth 160 ounces of silver.

The payment of the debt will then naturally be made in silver, but still the creditor will not be injured, because he will still receive that precise defined quantity of 150 ounces of silver which he bargained for, and which will be sufficient to make 150 watches.

Now there is no answer to this, for if the creditor should say that he is paid in a metal which has fallen in value, then this may be denied, because, first, its value in use cannot have sunk, and getting the quantity of silver which was bargained for by the contract, this quantity may be applied to all those purposes for which it was originally intended. Secondly: although by comparison with gold its value in exchange has declined, yet its exchangeable value, as compared with other commodities, may still remain the same; and then still to require that the debtor should pay 10 ounces of gold, is to require that the debtor should be in-

jured in order to benefit the creditor. Thirdly: admitting that silver has declined, not only as compared with gold, but with other commodities also, still this would be no argument in favor of a single standard; because, there being no invariable standard, if even one standard had been adopted, this standard might have been silver, and then the position of the creditor would have been the same; or if a single standard of gold had been adopted, again his position might have been the same, because gold might have declined in value. In one word, if silver alone had been the standard, and silver had declined, then the creditor, with any given quantity of silver, would be able to buy less gold, and less of other commodities; and if gold had been the standard, and gold had declined, then the creditor, with any given quantity of gold, would be able to buy less silver and less of other commodities. If we take both metals for a standard, the position of both debtor and creditor is one of uncertainty: if we take one metal alone for a standard, this position is again uncertain; but there being no invariable standard, this uncertainty neither is, nor can be, greater in one case than in the other.

Let us now conclude the argument by going back to the contract, which was this, that the debtor should pay 10 ounces of gold or 150 ounces of silver; and the proportion between gold and silver having so varied, that the creditor can no longer get 10 ounces of gold, let him allege that it always was his intention to have 10 ounces of gold; and then I say, first: that this was not the bargain; and secondly: that he is a fool, because if this was really his intention, the remedy was in his own hands; he ought to have stipulated for a payment in gold to the exclusion of silver; and to this his debtor would not have objected, because at the time of the contract 10 ounces of gold and 150 ounces of silver being of precisely the same value, whether the debtor had bargained for a payment in either gold or silver, or in both, would have been a matter of indifference

And, as neither the debtor nor the creditor could look into futurity, so, whether the bargain were made in this or in any other way, either might gain or either might lose.

This is all that occurs to me, and if from reasoning we proceed to calculation we shall have precisely the same result. For the rest, I have taken up the question merely because it offered matter for curious and amusing speculation, but in practice it amounts to nothing; and whether I am right or wrong is of no consequence, as I have shewn in different parts of the body of the work.

Come we now to the second point: and here we have to shew that the present relative value between gold and silver is the same, or as nearly as possible the same as it was forty years ago.

To prove this I refer to the French system, where the Mint is open for the coinage of both gold and silver, where both metals are a legal tender; where either as compared with the other is allowed to circulate at an agio; where the law allows a free importation and exportation of the precious metals, whether coined or uncoined; and where, in one word, the currency is as free as the wind that blows: here then, if any where, shall we be able to ascertain and determine the relative value between gold and silver.

The French Mint regulation, which fixes the relative value between gold and silver in the French coins as 1 to 15½, was established in the year 1785, and it subsists down to the present day; and then, by attending to the following facts, we shall be able to arrive at correct conclusions.

1. That whatever may be the extent of casual and occasional fluctuations, yet, if we make an average of the relative value between gold and silver throughout the whole period from 1785 to the present day, we shall find that the agio on gold (on the established Mint proportion between gold and silver of 1 to 15½) has been about ⅛, and it certainly has not exceeded ¼ per cent.; which in point of fact is nothing, because this is no more than would naturally be paid for the convenience of having the same value in a smaller bulk.

2. That throughout the whole, or nearly the whole, period, both gold and silver bullion have regularly been coined at the French Mints; and this alone is more than conclusive of the whole argument: for if it is a fact that forty years ago both gold and silver were coined at the French Mints; and if it again be a fact, that both metals are now coined, then (the proportions fixed by the Mint forty years ago not having been altered) whatever may have happened in the intermediate period, we may I think be tolerably certain that the relative value between gold and silver is now the same, or as nearly as possible the same, as it was forty years ago.

3. That from January, 1818, to December, 1823 (both inclusive), the average premium on the Mint price for gold bullion has been 4f. 12c. per 1000f. and the average premium on the Mint price for silver bullion has been 2f. 44c. per 1000f. (Vide Tooke on high and low prices) which gives a difference of about ⅙ per cent. in favour of gold.

4. That during the last twelvemonth the average premium on gold bullion has been about 1f. 71c., and on silver bullion about 6f. 50c., which gives a difference of about ½ per cent. in favor of silver.

5. That on this present day, the 4th February, 1826, the premium on gold bullion at Paris is 5f. 50c., and on silver bullion 6f., which is so trifling a difference as not to be worth noticing.

And therefore, from these facts, it is plain that whatever trifling casual variations may have taken place in the intermediate period, yet the relative value between gold and silver is the same, or as nearly as possible the same, as it was forty years ago; and that whether the French had taken gold alone, or silver alone, or had acted as they have done by taking both metals for a standard, would, as to the position between debtor and creditor, have been the same thing.

Come we now to the last point: and here we have to establish, that the variation in the relative value between gold and silver has not exceeded 2 or at most 3 per cent. in the last century, and that a difference to this extent would have but little influence on the position of either debtor or creditor.

Our ancient Mint regulations which fixed the relative value between gold and silver, as 1 to 15.210, were established in 1718, by Sir Isaac Newton. From his memorial to the Treasury, dated 1717, he appears to have taken a great deal of pains, in a matter which was peculiarly within his province as Master of the Mint; and from the transcendant abilities of the man, we are bound to presume that the proportion which he established, was as near the truth as it is possible to arrive, in a matter which must necessarily be somewhat uncertain.

Then come the French in 1785, and alter the whole of their monetary system, and fix the relative value between gold and silver in their coins as 1 to 15.500.

Now we have already seen, that from 1785 to the present period, there has been no change in the relative value between gold and silver; and we have also seen, from the very principle on which the French currency is founded, that in order to ascertain the relative value between gold and silver, we cannot have higher authority than the facts which this system offers for our consideration; and, therefore, we are bound to take it that the relative value between gold and silver, in 1785, was as 1 to 15.500, and that the present relative value between the two metals is the same: and, therefore,

Sir Isaac Newton being correct in 1718, and the French being correct in 1785, and down to the present day, we are bound to infer that the proportion between gold and silver has varied between 1718 and the present period, by all the difference between 15.210 and 15.500 (which is about 2 per cent. in favor of gold): and that the whole of this variation took place in the period between 1718 and 1785.

This is the best account I am able to give of the matter:

and we will now see (all other things remaining the same) how, and to what extent, a change of value of 2 or even 3 per cent. in a century, in that money in which the creditor is to receive payment, will affect his position.

Let the alteration amount to 3 per cent. in a century, and let it be slow and regular.

Let the century be divided into five equal parts of twenty years each; and then:

1. It is quite clear that this slow, and as it were imperceptible, variation, will have no effect on the daily transactions of the community; and its effects on contracts, terminable within a twelvemonth, will also be next to nothing.

2. It is equally clear that where there is one contract, not terminable till within twenty years, there are one hundred which are terminable much sooner.

And, finally, at whatever period the contract terminates, the parties are at liberty to make a fresh bargain, and to fix the rate or price according to the variation which may have taken place in the value of the money in which payment is to be made.

Let us then take the average of all contracts to be twenty years; let both gold and silver be legal tenders in all payments, and then let silver decline 3 per cent. in a century (and in this proportion for any part of a century), not only as compared with gold, but with every other commodity; and let us then see what will be the position of the creditor at the end of every twenty years till the century is completed.

Now 3 per cent is $\frac{300}{100}$ per cent., and this for a century is equal to $\frac{60}{100}$ in twenty years, and this again is equal to $\frac{3}{100}$ per annum; and, therefore, supposing a man to be entitled to the annual receipt of 100*l.*, he will lose of this .03 the first year; .06 the second; .09 the third year, and so on; and so that, at the end of twenty years, his total loss will be $\frac{630}{100}$ parts of a pound, which is 6*l.* 6*s.* And, therefore, upon a rent of 100*l.* per annum, the total loss to the landlord, at the end of twenty years, is 6*l.* 6*s.*; but 100*l.* per annum amounts at the end of twenty years to 2000*l.*, and a loss of 6*l.* 6*s.* on 2000*l.* is but 6*s.* 4*d.* per cent.; and therefore the average annual loss of the landlord, throughout the whole period of the contract on a rent of 100*l.*, is only 6*s.* 4*d.*

The twenty years having expired, and the contract being at an end, the parties are at liberty to make a fresh bargain. Let this bargain for a second twenty years be made on the basis of the altered value of silver; and as silver still continues to decline, the total loss to the landlord, at the end of the second twenty years, will again be 6*l.* 6*s.*; and his average annual loss on a rent of 100*l.* will again be 6*s.* 4*d.*

Let the bargain be renewed in the same manner till the end of the century, and the average annual loss on a rent of 100*l.* will still be but 6*s.* 4*d.*, and the total loss will be 31*l.* 10*s.* on a sum total of 10,000*l.*

Now let us apply the principle to contracts of a longer duration—to a national debt for example; and let the whole of our national debt (as it now stands) have existed since 1718, being the period when Sir Isaac Newton fixed the proportion between gold and silver in our coinage as 1 to 15.210; and silver since 1718 having declined, as compared with gold, about 2 per cent., let us see how this will have affected the public creditor throughout a period of 100 years; and then, (without giving, as in the former case, the details of the operation) we shall find that by being paid in silver instead of gold, his total loss on an annuity of 100*l.* will amount to 101*l.*; and that his average annual loss throughout the whole period will be 1*l.*—2½*d.* per cent.

But in this as well as the former case, the loss to the creditor is not certain, because (presume what we will) our calculations neither are nor can be founded on the real absolute value of silver, but on the relation in which it stands to gold; and then it will follow that the difference in the proportion between gold and silver may not have proceeded from a decline in the value of silver, but from a rise in the value of gold.

And therefore, and as the sum of the whole, it is plain that neither in fact nor in speculation, are two standards less variable than one: and indeed the whole argument is ridiculous; for a standard of value being in reality nothing but an equivalent (not merely as Mr. Locke justly observes, "the measure of the bargain, but the thing bargained for"), to introduce silver as a standard where gold alone existed before, is but to introduce a new equivalent; and to multiply equivalents is to multiply exchanges, and to extend and give facilities to trade and commerce.

NOTE 3.—LETTER X., PAGE 146.

That to the extent of a seignorage, value is not added to the coin, we shall immediately be convinced, by attending to the following facts and observations.

According to the evidence given by Mr. Allen, in 1810, before the Bullion Committee, it appears,

That, by the Mint regulations of Spain, a seignorage of 8 per cent. is imposed in that country on the coinage of silver; and he then goes on to tell us, *that therefore the price of silver bullion in Spain, is always higher than the Mint price, generally about* 6 *per cent.*

But it is the coinage of France which affords us the best and most ample information as to the effects of a seignorage.

In the reign of Louis XIII., the seignorage on gold was 6 liv., and on silver it was 10 sols per marc; but by an edict of Louis XIV., dated in 1679, it was abolished. In 1689, however, the seignorage was re-established, and was fixed at 7 liv. 10 sols for the marc of gold, and 12 sols 6 den. for the mark of silver.—Vide Savary.

In 1726, according to the continuator of the work of

Ricard, the seignorage on gold amounted to $7\frac{9}{16}$ per cent., and on silver to $5\frac{6}{7}$ per cent., after deducting the charges of the Mint; but, according to Mr. Mongez, it would appear, that the seignorage on gold was $6\frac{7}{8}$ per cent.; in the seignorage on silver they both agree.

But this seignorage could not be supported, for it appears that, in 1720, the Mint price for gold was augmented 4 den. per livre; and that in 1755, it was again augmented to the same extent, and at the same periods the same augmentation took place in silver; and, therefore, in 1729, the seignorage on gold was reduced from $7\frac{9}{16}$ to $5\frac{11}{20}$ per cent., and in 1755, to $3\frac{9}{11}$ per cent.: and the seignorage on silver was reduced, in 1729, from $5\frac{6}{7}$ to $4\frac{1}{8}$ per cent., and in 1755, to $2\frac{4}{27}$ per cent.

It also appears from M. Mongez, that the precious metals were supplied to the French Mints either by companies or individuals to whom the exclusive privilege was granted, and that they received a premium on the Mint price; these are his words—"On appeloit en France *Surachat*, et le privilege exclusif accordé à une Compagnie, ou à un particulier, de fournir les metaux precieux aux hotels des monnaies, et une prime pour les dedommager des pertes supposées que devait causer cette operation. En 1772, la prime fut de 9 livres par marc d'or, et de 10 sols par marc d'argent."

Come we now to other facts. According to the present French system, a mere *brassage* of $\frac{1}{4}$ per cent. is charged on the coinage of gold, and a trifling seignorage of $1\frac{1}{2}$ per cent. on the coinage of silver; and yet we learn from Mr. Tooke's book "on high and low prices," that the average premium on gold bullion at Paris, from January, 1818, to December, 1823, (both inclusive), was 4f. 12c. per 1000f.; and that the average premium on silver bullion during the same period was 2f. 44c. During the year 1824, the average premium on gold bullion was about 4f. 46c., and the average premium on silver bullion during the same period was about 4f. 22c. During the year 1825, the average

premium on gold bullion was about 1f. 71c., and the average premium on silver bullion during the same period was about 6f. 50c. And, therefore, from January, 1818, to December, 1825, (embracing a period of eight years), the average premium on gold was 3f. 86c., and the average premium on silver was 3f. 17c. And so that while both metals have been regularly at a premium on the Mint price, yet the average variation in the relative value between gold and silver has been only 69c., being about $\frac{1}{15}$ per cent.

During the month of January, 1826, the average premium on gold bullion was 4f. 60c., and the average premium on silver bullion 7f. And on this present day, the 4th of February, 1826, the premium on gold bullion is 5f. 50c., and on silver bullion 6f. per 1000f.

How then, in the face of all these facts, is it possible to maintain that, to all the extent of a seignorage, value is added to the coin? For if this were the case, then the market price of gold and silver bullion must almost regularly and constantly be at or below the Mint price; whereas from the history of the French currency, it appears, that they regularly exceed this price; and this whether the seignorage be heavy or light.

But if the doctrine were as true as it is false, it would still be quite impossible to show that the least utility whatever can result from a seignorage.

APPENDIX I.

ON THE OPINION OF MR. ALEXANDER BARING, THAT THE ACT OF 1819 HAD AUGMENTED THE ANCIENT STANDARD OF VALUE.

In the motion made by Mr. Alexander Baring, a few years since, for an inquiry into the currency, and the effects produced by the Act of 1819, he was of opinion, not merely that we had returned to our ancient standard of value, but that we had overstepped the line and augmented this standard. I thought little of the point at the time, or if I had any opinion at all, it was that Mr. Baring was wrong; but, upon an attentive and careful examination of the matter, I have every reason to believe that he was right, and that the Act of 1819, coupled with our new Mint regulations, and the making gold alone a legal tender in all payments exceeding forty shillings, have augmented the standard of value in this country; and for this I will state my reasons.

According to our former Mint regulations, and the established relative value between gold and silver, which bear date, I think, about the year 1718, standard silver was coined at *5s. 2d.*, and standard gold at *3l. 17s. 10½d.* per ounce; and this established a proportion between gold and silver of 1 to 15.210; and the law allowed the debtor to pay either in gold or in silver.

Now, if this standard and these regulations had not been departed from, but had existed down to the present day, and that the Mint were open to the public for the coinage of silver, the debtor, upon any antecedent contract, would have the option either to pay in gold coined at *3l. 17s. 10½d.*, or

in silver coined at *5s. 2d.* per oz. And, therefore, to determine whether the standard has been altered to the prejudice of the debtor, we have merely to ascertain whether, since the year 1718, any and what alteration has taken place in the relative value between gold and silver; and every other point is foreign to the inquiry; for the value of either gold or silver, when compared with other productions, being common to both the debtor and the creditor, and at all times uncertain,* could form no part of a contract which *ex naturâ rei* was restricted to this, that whether the debtor paid in gold or in silver, he should never be obliged to pay a greater quantity of one metal than was sufficient (according to the legal or Mint proportions between gold and silver) to purchase that quantity of the other metal which was bargained for by the contract.

In the year 1718, the relative value between gold and silver in this country, stood, as we have already seen, as 1 to 15.210; and in France, at the same period, this relative value was established as 1 to 15.

This proportion remained without alteration in England up to the period of our new Mint regulations; but in France the proportion of 1 to 15 continued only till the year 1726, when an alteration took place, and the proportion between gold and silver was fixed as 1 to about 14.460. On this footing the proportions (at least the legal proportions) between gold and silver remained in France till the year 1785,

* The value between gold and silver on the one hand, and commodities on the other, being common to both the debtor and the creditor, it follows, that if, with a less quantity of commodities, the debtor can buy that quantity of silver which is sufficient to discharge a debt, than he must have parted with in order to accomplish the discharge of this debt in gold, that not only he has a right to do this, but that by not doing it he might be injured; because a difference in the relative value between gold and silver may proceed from a rise in the value of gold, and not from a decline in the value of silver.

when it was found absolutely necessary to change them, and to fix the relative value between gold and silver in the French coins as 1 to 15½,* and this proportion has continued to the present day. And that it is accurate (as far at least as accuracy can be attained in a matter of this nature) there can I think be little doubt; because, although the whole system of currency in France is free from restraint, and that both

* I take the proportion here from the French coins, but the French Mint prices for gold and silver, give a somewhat different proportion, which arises from this circumstance; that the seignorage in France has scarcely ever been the same on both metals. Formerly (for instance) the seignorage on gold was higher than on silver; but now, on the contrary, there is no seignorage, but merely a *brassage*, on gold, while the seignorage on silver is 1½ per cent. Two other reasons have also induced me to prefer the mode I have adopted; 1. Because there has almost constantly been a premium (greater or smaller) on the Mint price, and therefore the real price paid by the Mint was always uncertain. 2. The expense of coining is, I believe, greater on silver than on gold.

I have thought it necessary to say this much, by way of explanation; but whether, with a view to ascertain the proportionate value between gold and silver, we take the Mint prices, with the addition of the two circumstances I have mentioned; or whether we adopt (as I have done) the method of ascertaining this proportionate value by means of the gold and silver coins, the result though not precisely, will, I believe, be pretty nearly, the same, and *de minimis non curat lex.*

There still remains one consideration, which is final and conclusive; viz. that in the commercial intercourse between different nations, all transactions are regulated by the contents of the coins in fine gold or silver, and in what manner the Mints of these countries obtain the metals, or the prices paid for each metal respectively, is out of the question; and therefore, if according to the contents of the French coins, the proportion between gold and silver is now as 1 to 15½, and that the experience of the last forty years has proved this proportion to be accurate; and that the proportion in the coins, established in this country by Sir Isaac Newton, in 1718, was as 1 to 15.210, then, I think, we may pronounce with safety, that since 1718, gold as compared with silver, has advanced about 2 per cent.

metals, whether coined or uncoined (and to the total exclusion of all Mint regulations), are left to find their value in exchange for one another, yet (as we have already seen) the agio on gold during a period of forty years has, upon an average, been so trifling as to amount to no more than would very naturally be paid for the greater convenience of gold, when compared with silver.

Now this determines the point, that since the year 1718, gold, as compared with silver, has increased in value; and it again determines the point, that since the year 1785 (the period when the French altered their proportion), but very little, if any, alteration in the relative value between the two metals has taken place: but it leaves us quite in the dark, as to the different variations which may have taken place in the relative value between gold and silver, between the years 1718 and 1785; for at the former period our proportion stood as 1 to 15.210, while the French proportion was as 1 to 15, and from the circumstance that the French in 1726, reduced the relative value to as 1 to about 14½, it is not impossible that the value of gold, when compared with silver, had declined. But as this alteration took place a few years after the breaking up of Law's system, and that the French currency, till 1785, was generally speaking, in a state of great confusion; no sound inference can be drawn as to the real relative value between gold and silver, from any thing which then took place in France. Nor is it at all material to the present inquiry, that we should determine the variations of value between gold and silver, which took place between 1718, and 1785; it is sufficient that we know on the one hand, what were the proportions in England, in the year 1718, and on the other, the value of the two metals, gold and silver, when compared with one another at the present day: and this we have already ascertained, and we have found that, by our ancient standard, the relative value between gold and silver was as 1 to 15.210, and that the real relative value between gold and silver, at the present day, is as 1 to

15.500. And, therefore, though gold still continues to be coined at the English Mint, upon the former principle, yet the debtor being deprived of the option which he before possessed to pay in silver, the standard as to him is augmented to the extent of about 2 per cent. And this augmentation embraces in its consequences the whole of the national debt, and every contract entered into by individuals prior to the year 1816, (56 Geo. III., Cap. 68.) the date of the Act which established the present Mint regulations, and which made silver a legal tender to the extent of only forty shillings. All which may easily be shown; for whether in a comparison between gold and silver, the one has declined, or the other has advanced, in value, is quite immaterial to the debtor who formerly had the option to pay in either gold or silver, but is now restricted to the payment in gold alone, and who is therefore deprived of a facility which he before possessed. It is sufficient to him that the same relative value between the two metals no longer exist; and that by the mere change in the proportions between gold and silver, (and from whatever cause proceeding) it will cost him more labour (or what comes to the same thing, the result of more labour in commodities) to acquit any given debt in gold, than to acquit the same debt in silver, according to the ancient standard of the country.

The whole of this reasoning when reduced to calculation, will stand in this manner:

That supposing an annuity of 100*l.* to have been created 100 years ago, this annuity might then, and down to 1816, (when our Mint regulations, and the old law regarding payments were altered) have been discharged by a payment in either gold or silver; and according to the proportion between gold and silver, in our coinage which then existed, 25.682 ounces of standard gold, or 387.092 ounces of standard silver, (each being equivalent to 100*l.*) at the option of the debtor, would have been good, lawful, and sufficient payment.

But the Act of 1816, having rendered it imperative that this debt should be discharged in gold, and in no other way, and the proportion between gold and silver having so varied, that gold, as compared with silver, has advanced about 2 per cent.; the debtor, by being deprived of the facility which he before possessed to pay in silver, is in reality obliged to pay that quantity of gold, which is equivalent in value to about 395 ounces of standard silver. And then, whatever the value between gold or silver on the one hand, and commodities on the other, the debtor is injured, because it clearly will require more labour, (on the result of more labour in other things) to obtain 395 ounces than 387 ounces of silver.

Or it will stand in this manner; that as to obtain 25.682 ounces of standard gold (the contents of 100*l.*) will, according to the present proportion between gold and silver, require more labour (or what comes to the same thing, the result of more labour in commodities) than to obtain 387.096 ounces of standard silver; and as by the ancient law of the land, a debt of 100*l.* could be discharged by the payment of 387.096 ounces of standard silver; so does it follow, that to all the extent of the difference in value between 25.682 ounces of standard gold, and 387.096 ounces of standard silver, is the metallic standard of the country increased, and the debtor injured. This matter ought therefore to have been carefully looked into, before the passing of the Act of 1816, and if in our great wisdom we should still have determined that gold alone should be the standard, the weight of the gold coins ought to have been diminished.

But the great singularity throughout the whole proceeding, is the Amendment of Mr. Huskisson on the Motion of Mr. Western, for an inquiry into the currency, which was to this effect: "that we would not change the ancient standard of the country:" whereas, and in point of fact, the administration, of which he was a member, had very recently innovated in a most extraordinary manner on the ancient standard of the country; first, by converting a double standard of both gold and silver into a single standard of gold alone, and thereby depriving the debtor of a facility, and even an advantage, which he would otherwise possess; and secondly, by coining the pound of standard silver into sixty-six shillings, whereas, by the ancient standard of the country, the same pound of silver was coined into sixty-two shillings. Not only, therefore, was the ancient standard departed from, but a complete change was also effected in the whole of our monetary system: for first, a seignorage was imposed on the coinage of silver, whereas, by the ancient system, no seignorage was exacted; and secondly, the silver currency was placed completely under the control of Government, and so that if an individual brought silver to the Mint and was willing to pay the seignorage, it should be in the discretion of the Government whether it should be coined for him or not. At length, and finding that if liberty were given to individuals to bring silver to the Mint to be coined, that the system on which they had bestowed so much thought and attention would fall to pieces in an instant, they determined that no silver whatever should be coined for the public: and then, because they were able to bring their system to bear by force of law (that is, in this case, by dint of sheer violence), they crowed over their adversaries, the scheme was extolled to the skies, and it was called admirable for its simplicity; whereas, and in reality, it was only to be admired for its extreme absurdity, and the shackles which it imposed on the pursuits of individuals: and to call that simple, which from beginning to end is but one compound of regulation and restraint, is a strange abuse of language.

This is a true picture, and, therefore, after we have so completely changed and metamorphosed all things, that scarce a single vestige remains, either of our ancient standard, or our ancient system, to pass a resolution that we will change nothing, is not a little extraordinary.

APPENDIX II.

WHETHER GOLD OR SILVER BE THE MORE ACCURATE MEASURE OF VALUE.

It is useless to agitate the question whether gold or silver be the more accurate measure of value, because (whatever alteration may have transiently and temporarily obtained in the interim) the fact being, that the real relative value between gold and silver is precisely, or as nearly as possible, the same as it was forty years ago; whatever the value of these metals, when compared with other things, no alteration has taken place in their value when compared with one another: and, therefore, the one is quite as accurate a measure of value as the other. And, therefore, in point of fact, there is at present no question to discuss; and an annuity granted forty years ago, would (in every other country but this, where in all matters relating to money, common sense is set at defiance) at the present day, not only be of precisely, or as nearly as possible, the same value, whether payable in gold or in silver; but upon an average, throughout the whole period, the annuitant would also have received the same, or, as nearly as possible the same, value, whether he had been paid in one metal or the other.

But if we take reason for our guide, it must follow from the very nature of things, that gold, so far from being less variable, is liable to much greater, and much more frequent, fluctuations of value than silver.

The existing quantity of gold, when compared with the existing quantity of silver, is probably as about 1 to 50;* but the relative value between gold and silver is but as 1 to 15 or 16: and, therefore, the relative quantity does not determine the relative value of the two metals; and regard being had to quantity alone, gold, as compared with silver, is cheap.

Now this being the fact, and the value of gold, when compared with silver, being in a ratio, which, even in ordinary times, and when things are at rest, has not the slightest correspondence with the relative quantity of the two metals: and the fact again being, that gold will and does serve for money as well as silver; and that even when the demand falls equally on both metals, gold as money, when compared with silver as money, contains an immense value in a small compass; I say, that the commodity gold is placed in that precise situation in which its exchangeable value, either when compared with silver or with other productions, must be liable to sudden fluctuations; because, on every occasion of a great demand for gold, all require a commodity, which, relation being had to quantity alone, is really scarce, but which, on the other hand, relation being had to value combined with quantity, would, when compared with silver, appear to be plentiful. And, therefore, on every such occasion, a rise in price is inevitable; and we consequently find that, in all cases of invasion, in times of panic, and generally in all periods of public calamity, the price of gold rises immediately.

But with silver it is quite the reverse, because, as we have already said, relation being had to quantity alone, silver, as compared with gold, is infinitely overvalued; and, therefore, on every occasion of a demand for silver, this demand falls on a commodity which, regard alone being had to quantity, is in reality, when compared with gold, extremely abundant;

* See Heron de la Villefosse, and Humboldt, and the evidence given by Mr. Allen to the Bullion Committee.

but regard being had to value, as dependent on quantity, would, when compared with gold, appear to be extremely dear.

Now let us reduce what we have said to more precise terms. Take it then that the existing quantity of gold is, when compared with the existing quantity of silver, as 1 to 50; while the relative value between the two metals is as 1 to 15; and it will follow, that while the total quantity of gold that exists is, when compared with the total quantity of silver that exists, as 1 to 50, the total value of the gold that exists, when compared with the total value of the silver that exists, will be as 15 to 50, or as 1 to $3\frac{1}{3}$. And then the deduction is easy; for as the total value of the silver is much greater than the total value of the gold, and that the total quantity of silver, with relation to the total quantity of gold, is beyond all comparison still greater; and that, therefore, (and this whether with relation to quantity or value) it must at all times be much easier to satisfy any given demand for silver, than to satisfy the same demand for gold; so is it of plain and undeniable consequence, that every extra demand for gold must have a much greater tendency to raise the price of gold, than the same demand for silver can have a tendency to raise the price of silver. And, therefore, whatever the average relative value between gold and silver throughout a long period of time, it is quite certain that gold (for the reasons we have stated), being easily operated upon, is liable to sudden fluctuations, and is therefore a much more variable measure of value than silver.

This is my opinion on the subject, and it certainly is supported by facts; for though (as we have had frequent occasion to remark) the real relative value between gold and silver is as nearly as possible the same as it was forty years ago; and though, again, all the variations that have taken place during this period, when reduced to an average, are so trifling as to be undeserving of attention; yet at different periods the fluctuations in the price of gold have been very considerable. In Holland, during the late war, the price of gold has sometimes advanced 3 or 4 per cent. in the course of a few weeks; while all this time the prices of other commodities, when measured by silver, remained unchanged. Again, at the period when the French territory was evacuated by the allied armies, there was a pretty considerable agio on gold, in consequence of a great demand for this metal for Russia; and whenever there is a demand for gold in France to be exported to England, there is immediately an agio on gold, and the extent of the agio is in proportion to the demand.

It being then mathematically certain, and as derived from the very nature of things, that gold is a more variable measure of value than silver, and every fact tending to prove the truth of the proposition, it will naturally follow, that if in any country gold alone, to the exclusion of silver, should be the standard of value, that upon every sudden (though temporary) demand for gold, all those who have engagements to acquit will be injured, and all the excess in price, which they will be obliged to pay in order to obtain gold, will pass into the pockets of their creditors. Whereas, if the law had left them the alternative to pay either in gold or silver, the position of both the debtor and the creditor would have remained unchanged; because as between silver and all other productions (to the exclusion of gold) there would be no alteration: but as between gold and every other production (silver included) the alteration would be considerable.

Now let us look at the other side of the question, and then I believe we shall find that those who contend for the greater accuracy of gold as a measure of value, do not pretend to found their opinion on any fact that either has or does exist, but they simply speculate on a fact which they suppose will exist hereafter; that is, they say that new silver mines may be discovered, or that by the use of additional and more perfect machinery, the mines which already exist may be rendered more productive, and worked at less expense; and then they infer, that the value of silver, by an increase in its quantity, and by a diminution in the expense of working the mines, would decline, while the value of gold would still remain stationary. To this I reply:

1. That the probability that new silver mines may be discovered, is balanced by the probability that new gold mines, or new *Terreins d'alluvion*, may also be discovered. And here it is not even requisite that the probability should be equal; for the present proportion between gold and silver, as to quantity, being as about 1 to 50, it would be quite sufficient in order to maintain this proportion, that for every additional 50 pounds of silver, added to the common stock, there should only be added, one pound of gold.

2. That all, or nearly all, the silver mines in South America, are auriferous, and contain gold, which is so completely mixed with the silver, that it can only be separated from it by a distinct and peculiar process;* and therefore to increase the quantity of silver, either by the discovery of new mines, or by rendering those which already exist more productive, is necessarily to increase the quantity of gold.

3. That to increase the supply of silver while the supply of gold remains stationary, is not to render gold less variable, or even to enable it to maintain its present supposed greater uniformity of value; because this is to increase that disproportion between the quantity of gold and silver which is already too great, and which, having no affinity or connection with value, is the occasion, that gold being easily acted upon, is liable to fluctuations of price. And, therefore, the true way to render gold less variable, is not to increase the supply of silver, but to increase the supply of gold. And though I will grant, that this might possibly (though even here I am in doubt) reduce the exchangeable value of gold for the moment, yet I have no doubt that its future value would thereby be rendered much more permanent.

4. That to increase the supply of silver will not necessarily

* See Humboldt.

diminish the value of silver. The countries in which the mines are situated, are improving in commerce and civilization; the whole world is making rapid advances towards improvement; a greater supply of silver will therefore be required, and therefore a greater quantity may be produced and sent to market without occasioning a reduction of price; and this is not theory but fact. The produce of the mines of South America, since their first discovery, has increased considerably; these mines have been most productive within what may be called a recent date, that is, from 1790 to 1810;* and yet, I believe, that silver has not declined; certainly not as compared with gold, and probably not as compared with other commodities. And, therefore, if shortly after the discovery and conquest of South America, the influx of the precious metals into Europe, had so material an influence in raising the prices of commodities, this is to be attributed to the narrow space within which commerce and manufactures were then confined, and to the scarcity of commodities; that is, to the paucity of every other equivalent when compared with gold and silver.

As the result of the whole, it therefore appears, that if we were to take all the subtile fine spun speculations of the advocates for a gold standard, as plain absolute matters of fact, their cause would not be advanced; and that gold, so far from being a more accurate measure of value than silver, would, as compared with silver, be a still less accurate measure of value, and liable to still greater fluctuations than at present.

For the rest, (and except by way of amusement), I am quite sure that the whole matter is not deserving a single moment's consideration; and that it is of no more consequence, that either gold or silver should vary when compared with other productions, than that these other productions

* See Humboldt, and the Statement of Jacob, referred to by Mr. Tooke.

should vary when compared with gold and silver; and as no means ever yet have, or can be devised, to prevent the one, so is it in vain to expect, that means should be discovered to prevent the other. And as to the variations in either gold or silver, when compared with one another, these are of still less consequence. The great point is, that all or the greater part of things should be cheap; and (always dependent on this principle) their relative value, either when compared with gold or silver, or with one another, is of very little importance. Without real absolute value, there can be no value of relation or proportion; and as the proportion between any two or more quantities must result from this, that each quantity is essentially itself and no other; so must the relative value between different things result from the real absolute value of each; and it is this absolute value which alone is of moment; and though gold, in consequence of an increase in its real value, (increased difficulty of production), should be twice as dear as at present, it would still be a pure unmixed blessing that corn (whatever its relation to other things) should be twice as cheap.

APPENDIX III.

I HAVE treated very largely of the defects in our metallic currency, as arising from the exclusion of silver from the Mint; and I have suggested various remedies; but all these remedies (as the reader will perceive) are dependent on the principle of calling in the present silver currency, and substituting, in lieu thereof, silver money coined at the rate of 62*s.* to the pound.

It will then be asked, can we not dispense with the necessity of calling in the present silver currency? that is, can there not be a scheme devised, which shall leave the present silver currency untouched, still allowing it to be a legal tender to the extent of only forty shillings; and then to coin other silver money which shall be a legal tender in all payments? This is also practicable, and may be accomplished by coining pieces of silver money at 5*s.* 2*d.* per ounce, free of all seignorage and expense, of the value of six or seven shillings, and which silver money shall be a legal tender in all payments.

Another remedy would be to call in merely all the crown pieces at present in circulation, and to issue other crown pieces coined at the rate of 5*s.* 2*d.* per ounce, free of seignorage and expense, and which should be a legal tender in all payments.

And, therefore, without interfering at all, or to a very trifling extent, with our present silver currency, a silver currency may be introduced which shall accord exactly with the ancient standard of the country, and be a legal tender in all payments. But though this would go to the removal of the great defect in our metallic system, (the exclusion of silver

from the Mint), yet it is evident that a plan of this nature is not free from great and serious objections.

1. We shall have two sorts of silver money in circulation; one, of which the denominative and the real value will be alike; and the other, in which the real value will differ from the denominative; and this must eventually lead to confusion.

2. On all the silver money below the denominative value of 7*s.*, 6*s.*, or 5*s.*, the government will gain a seignorage of about $6\frac{1}{2}$ per cent.; and, as if no seignorage existed, the price of silver bullion would seldom or never exceed the Mint price of 5*s.* 2*d.* per ounce, so will there always be a temptation held out to the government to purchase silver bullion, and coin it at 66*s.* to the pound, by which it would gain the seignorage, but the quantity of inferior silver money would thereby be increased.

3. Inferior silver money coined at the rate of 66*s.* to the pound, being a legal tender to any amount, in all the British colonies, and part of the money coined here upon this principle, and sent to the colonies, having already returned; and as this will probably be the fate of all that has been sent, or may be sent for the future, so if the government should continually proceed in this manner, and in proportion as silver becomes scarce in the colonies (in consequence of its being returned to this country) coin and send out a fresh supply; so will there at last, be so large a quantity of this inferior silver currency at home, that the good silver money would infallibly be driven out of circulation, and the standard of the country would be altered.

This is my opinion; and though either of the plans I now suggest would go to the removal of the great and serious defect in our present system (the exclusion of silver from the Mint), yet they might eventually be productive of other consequences. But to call in the whole of the present silver money, is free from every objection; the remedy is effectual, all our silver money would be coined on one uniform principle, and the ancient standard and system of the country would be restored.

But not only would the plan alluded to be objectionable, but to a certain extent it would also not be necessary; for if the present silver currency is to remain in circulation, the only other defect in our system is the exclusion of silver from the home-market, and as a tender either in the discharge of debts, or for the purchase of commodities: and this would to a very great extent be removed, by the institution of a Bank, or Banks of deposit for silver bullion; the next thing to be done, is to pass a law that no more silver should be coined on the present principle of 66*s.* to the pound, either for this country, or the colonies; after this there will be no harm in calling in the present crown pieces, and substituting others coined at 5*s.* 2*d.* per ounce. And then we may proceed gradually, if we please, to call in the whole of the present silver currency, which is a great blemish in our system; because, by declaring 20*s.* in this silver money to be equivalent in value to a gold sovereign, it declares that to be truth which is a notorious falsehood.

THE END.

ERRATA.

Page 17, *fourteenth line from top*—instead of "propositions", read "proportions".

44, *fifth line from top*—instead of "£1,779,635", read "£17,796,035".

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