OBSERVATIONS

ON THE

ESTABLISHMENT

OF THE

Bank of England, &c.

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OBSERVATIONS

ON THE

ESTABLISHMENT

OF THE

BANK OF ENGLAND,

AND ON

THE PAPER CIRCULATION

OF THE

COUNTRY.

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OBSERVATIONS, &c.

THE ſudden changes, and even convulſions, which circulation and commercial credit have experienced ſince the commencement of the year 1793, will ſerve as an apology, I truſt, for an endeavour to draw the public attention to meaſures of foreſight and precaution.

Circulation, as the word implies, muſt have a pivot or centre on which the whole can turn; and that centre, as far as relates to the iſland of Great-Britain, is the Bank of

 England;

England; whoſe paper or notes repreſent that object, for every uſeful or beneficial purpoſe.

The proſperity which this country has enjoyed, the wealth and reſources which it poſſeſſes, having been attributed, in a great degree, to the eſtabliſhment of the Bank, (although, in truth, much more has been owing to its conſtitution) ſome individuals, for the ſake of relieving their own diſtreſs, and to furniſh the means for wild ſpeculations, have made a great noiſe about the circulating medium; endeavouring to inculcate an idea, that if ſo much trade and proſperity attached to the amount of Bank Notes formerly in circulation, the iſſue of Bank Notes ought to be increaſed at preſent, in proportion to the actual extended trade of the country.

Their object was, not to multiply Bank Notes for the purpoſe of general circulation, nor

nor for the uſe of the public, but ſolely to increaſe commercial diſcounts; under cover of which they expected their purpoſe would have been anſwered. They therefore founded an alarm as to the want of a circulating medium; and, as the term was not generally underſtood, whilſt it held forth an expectation of relief to pecuniary diſtreſs, ſo many joined in the cry as to create ſerious apprehenſions in the minds of the ſober impartial part of the community. Any thing may become a circulating medium; paper is as good a repreſentative ſign as gold, and in many inſtances it is better,---becauſe it is more eaſy to manage and to transfer; but then it muſt be underſtood, that with a correct knowledge of the baſis on which ſuch paper is founded, it enjoys the moſt perfect confidence: in which caſe, the only difference conſiſts in ſuch paper being the circulating medium for the country where it iſſues;

whilſt

whilſt gold or ſilver are the circulating mediums in every part of the world,---for both are no more than repreſentative ſigns.

If there were more gold than was wanted, confidence in it, as a repreſentative ſign, would ſlacken, and it would no longer become a circulating medium: If Bank Notes were augmented, ſo as to be ſold at a diſcount, confidence would vaniſh, and thoſe Notes be no longer a circulating medium.

It would be deſirable, for the purpoſe of probing this queſtion to the bottom, to aſcertain what proportion the iſſue of Bank Notes has borne to the gradual increaſe of the Commerce of the Country, although the diſcloſure would not be prudent in other reſpects;---but I cannot think it poſſible for the one to require an augmentation of the other in an equal degree; and it remains to be

be proved that the amount of Bank Notes, before the war, did increaſe in proportion to the increaſed trade of the country, before the neceſſity can be admitted for an augmentation to the circulating medium, in conſequence of the large addition to our trade during the war, although ſuch addition is accidental and temporary.

If it ſhall be urged that ſuch a diſcuſſion is become unneceſſary, for that no ſuch clamor exiſts at preſent; I muſt anſwer, that it is impoſſible to underſtand the principles upon which the Bank of England is eſtabliſhed, the nature of its public and private intereſt, and more particularly to appreciate the real ſituation of the country in reſpect to the paper circulation, without entering into ſome details and explanations with regard to paſt occurrences; and I muſt further requeſt, that my readers will always recollect, that the Bank

 never

never did abſorb the whole of any operations or circulations: the Bank muſt be conſidered ſolely as the centre or pivot, for the purpoſe of enabling every part of the machine to move in perfect order; ſometimes by furniſhing an addition to the powers neceſſary to enable that machine to perform its functions, and at others, by receiving back thoſe powers which are ſuperfluous; and although ſuch a poſition muſt conſequently be limited, yet its importance to the general welfare evinces a neceſſity of preſerving to the Bank a capacity of acting with effect, and without delay, in both thoſe caſes.

The operations of the Bank may be conſidered under three diſtinct heads:

The firſt and moſt important relates to the GENERAL CIRCULATION OF THE COUNTRY.

The

The ſecond---ITS TRANSACTIONS WITH GOVERNMENT BY LOANS, PAYMENT OF DIVIDENDS, &c.

The third---COMMERCIAL DISCOUNTS.

If it ſhall ever become a queſtion to ſacrifice a part to ſave the reſt, I can have no doubt but that the general circulation of the country ought to have a decided preference; and if ever the Bank ſhall be reduced to that dilemma, and that the adminiſtration of their affairs ſhall then be correct and pure, their ſolidity will reſt on a rock beyond the poſſibility of being ſhaken. We have already experienced the facility with which Government can liquidate a part of their loans; and they could diſcharge the whole, if neceſſary, without producing any convulſion in the country. I do not know the amount of the bills diſcounted by the Bank for commercial purpoſes nominally; but when the ſtate of their affairs was laid before Parliament, the amount

amount could not have been large; at leaſt it muſt have borne a ſmall proportion to the commerce and ſolid circulation of the country; but if the amount of paper diſcounted for fictitious and ſtock-jobbing purpoſes ſhall be deducted therefrom, the remainder will bear a very ſmall proportion indeed to the whole;---and therefore the commerce of the country would not receive a fatal blow if the Bank ſhould decline diſcounts altogether, unleſs it was done abruptly; eſpecially, as it would not be difficult to provide reſources for the ſolid part of the commerce of the country in the caſe of ſuch an event:---but, as we have experienced a capacity on the part of the public to diſcharge their loans without much difficulty, if the Bank could be liberated from their commercial diſcounts in caſe of need, with equal facility, their notes would then become really and *bona fide* the repreſentation of coin or bullion.

Theſe

Theſe ſubjects are no doubt gloomy, and I may be blamed for having mentioned them; but whilſt we are diſpoſed to adopt half meaſures, every thing may be apprehended; and therefore it is right to look forward, to point out the conſequences, and at the ſame time to ſuggeſt ſuch means as occur to prevent, or alleviate, thoſe which are pregnant with danger. In this reſpect it is proper to conſider what would be the reſult if the Bank were annihilated, in conſequence of confidence in their paper being deſtroyed.

The convulſion would no doubt be great, the difficulty and diſtreſs incalculable, but the country would not be ruined. The exiſtence of the Bank depends no doubt on that of the country, but the reverſe is by no means the caſe. If the fall of the Bank ſhould be owing to the miſconduct of its Directors, the calamity would be great; however, in a

ſhort

ſhort ſpace of time, a remedy or ſubſtitute might be found, to anſwer many very ſubſtantial purpoſes. But if its miſcarriage ſhould ariſe from the operations or interference of Government, confidence muſt vaniſh, and its reſtoration in any ſhape or form become impracticable.

Very few foreigners have underſtood the principles on which the Bank is eſtabliſhed; they have always conſidered their Notes as Government paper, and the experience they have had of the practice of Governments in every country, induced them to ſuppoſe that when gold was refuſed on the preſentation of the Notes, the Bank and the country were equally ruined. They could not diſtinguiſh between paper iſſued for the ſole purpoſe of circulation, limited in its amount, and under the authority and reſponſibility of a corporate body, abſolutely independent,—and that paper which

which Government could iſſue *ad libitum*, bearing an intereſt, which rendered it an object for perſons to purchaſe as a productive inveſtment of their capitals;—they were very much aſtoniſhed to find the total amount of Notes in circulation to be ſo ſmall, compared with the commerce and wealth of the country; and equally ſo, that after all, Bank Notes continued to circulate at par. Thoſe opinions, however, did not prevail at home, for the knowledge of the ſources from whence thoſe Notes iſſued, namely, depoſits of bullion, loans to Government, and commercial diſcounts, together with the confidence repoſed in the Directors, from the manner in which they repreſented the conſequences of thoſe pernicious meaſures which were then purſuing,—and the reſiſtance they finally made to the expectations of the Miniſter, when the caſe abſolutely required it,—induced the public to place ſufficient

reliance

reliance in them, under ſuch conduct, and with ſuch reſponſibility; the more ſo, as the perſonal attachment of a very large majority of the Court of Directors to the preſent Adminiſtration was well known, and for whom the powers of the Bank had been ſtretched in a certain degree.

From long experience, the Directors of the Bank muſt underſtand correctly the amount to which their Notes can circulate without depreciation or diſcount; and although they acted very wiſely at the awful moment to iſſue a larger ſum than uſual, yet the event has proved, that they have conducted themſelves with equal judgment, by not extending their iſſues beyond what the currency of the country requires, and can ſupport.

It was from a combination of theſe, and ſome other circumſtances, not neceſſary to be

be mentioned at preſent, but more particularly from a confidence in the conduct of the Directors, as a corporate body, that they would maintain and preſerve the independence of the Bank in their tranſactions with Government, notwithſtanding the partial influence which now and then prevailed,---that their Notes continued to circulate at par, with the ſame facility and convenience to the public as before, and that confidence was reſtored to a degree much beyond what could have been expected; whilſt, however, the ſlur muſt remain, and never can be effaced.

As the circulation of the Bank of England, although the moſt important, doth not form the largeſt part of that of the country in general, it becomes neceſſary to take a more comprehenſive view of the ſubject, in order to entertain a correct opinion of the whole. The eſtabliſhment of Country Banks is of modern date,

date, and within my recollection; but I believe there was no material convulſion, with regard to circulation, from the Rebellion, until that which happened by the failure of the Air Bank, in the year 1772. This failure was accompanied with others of great extent at the ſame time in Holland;---but as it was evidently a partial, and not a general convulſion, the Bank of England acted very wiſely, by affording even a liberal ſupport to thoſe houſes whoſe ſolidity was unqueſtionable, leaving others which were rotten, to fall; and as they were ſwept away, confidence was gradually reſtored. The next check to commercial credit aroſe from the failure of a circulation eſtabliſhed between Lancaſhire and London, well known in the courts of law by the caſe of Gibſon *v.* Johnſon, which has been ſo often tried; but, although the amount was large, it moved in ſo narrow a line, that it produced no general effect on the country. What

What happened in the beginning of 1793 was, however, very different: far beyond any thing which preceded, or has followed it, in magnitude, it pervaded, more or leſs, every part or place in both iſlands, and affected every deſcription of property. The laſt, and moſt important event, in one reſpect, is that which compelled the Bank of England to ſuſpend their payments.

During the interval between the failure of the Air Bank, and the diſtreſs of 1793, a very material change had taken place in regard to the general circulation: Banks had been eſtabliſhed in almoſt every town, and even in villages, throughout the country; and in the larger towns rival eſtabliſhments were formed. Theſe produced a moſt important, and whilſt it was ſecure, a beneficial change to the country, by increaſing its circulation; but unfortunately the principles on which thoſe

Banks were usually established, were insecure, in their being compelled at all times to invest or employ the deposit left in their hands, and thereby rendering themselves incapable of facing a sudden storm, or, as it is called, answering a run upon them, which, from natural events, must, in a course of time, arise. A Banker in London never allows interest to his customers, and can afford to reserve a proportion of his deposits, to enable him to answer sudden demands, or a run on his house; as he thereby sustains no real loss, but only diminishes the amount of his profit. The country Banker is in a very different situation, for he allows interest on deposits, and therefore he cannot afford to suffer even a small sum to remain dormant and unproductive; for every 100l. which he suffers to remain in that predicament, is a loss of the interest which he pays to his customer, and which interest he must get reimbursed (by

(by investing the money) before he can realise any profit for himself. Thus it will appear, that whilst the circulation was greatly increased, and its beneficial effects enjoyed, by the commerce, manufactures, agriculture, &c. of the country, it was founded on the most insecure principle, and liable to almost instantaneous convulsion, by unforeseen, and even trifling circumstances. This might be promoted, more or less, by the practice of particular establishments; for if Country Banks, whose principals are men of large unquestionable property, should fail, the contagion will immediately spread, and the consequences are incalculable. Thus, for instance, in the beginning of the year 1793, and of the present year, the Banks of Newcastle stopt payment, whilst those of Exeter and the West of England stood their ground. The partners in the Banks of Newcastle were far more opulent, but their

 private

private fortunes being inveſted, could not be realiſed in time to anſwer a run on their Banks. Their Notes allowed intereſt to commence ſome months after date, and were then payable on demand; by which means they had not an hour to prepare for their diſcharge. The Banks at Exeter iſſued notes payable twenty days after ſight, with intereſt to commence from the date of the Note, and to ceaſe on the day of acceptance. There can be no doubt but the practice of the Banks at Newcaſtle is more lucrative, whilſt it muſt for ever be liable to a return of what has happened. The twenty days received at Exeter furniſhes ample time to communicate with London, and receive every degree of aſſiſtance which may be required. It is therefore moſt earneſtly to be wiſhed, that a law ſhould paſs, to prevent Country Banks from iſſuing Notes payable on demand, as they never can be in a ſituation to pay without

without ſome notice; and the country ought to be protected againſt thoſe convulſions which have ariſen, and will continue to ariſe from ſuch a practice.

Another circumſtance contributed very materially to produce the diſtreſs of 1793, which was the ſudden, unexpected declaration of war. That dreadful calamity is uſually preceded by ſome indication which enables the commercial and monied men to make preparation. On this occaſion, the ſhort notice rendered the leaſt degree of general preparation impoſſible, and which may be aſcertained by the prices of ſtocks in the preceding month of October, and various collateral circumſtances. The foreign market was either ſhut, or rendered more difficult of acceſs to the merchant; of courſe he could not purchaſe from the manufacturer; and an important variation in the

the rate of exchange on the Continent, furnifhed a pretence to foreigners to withhold their remittances from both. The manufacturers in their diftrefs applied to the Bankers in the country for relief; but as the want of money became general, and that want increafed gradually by a general alarm, the country Banks required the repayment of old debts, being utterly incapable of increafing them, and which of courfe brought their own fituation to the teft.

In this predicament the country at large could have no other refource but London; and, after having exhaufted the Bankers, that refource finally terminated in the Bank of England. In the mean while, the alarm in the country continued to increafe; confidence in their Banks vanifhed; every creditor was clamorous for payment, which he infifted fhould be made in gold, and which was complied

complied with, until the Bankers in London were exhaufted. At firft the Bank accommodated themfelves to the circumftances, and furnifhed large fupplies; but unfortunately the Directors caught the panic; their nerves could not fupport the daily and conftant demand for guineas; and for the purpofe of checking that demand, they curtailed their difcounts to a point never before experienced, and which placed every part of the commerce of the country in a confiderable degree of danger. This dreadful convulfion (for it really was fo at the time) was occafioned by the erroneous principle upon which country Banks are eftablifhed, and that principle operated upon in the manner I have defcribed. I can readily believe, that under all circumftances it might then have been right for the Bank to leffen the amount of their difcounts, or to leffen the amount of the accommodation which individuals had been

been accuſtomed to receive, but then it ought to have been gradual; their determination, and the extent to which it was carried, came like an electrical ſhock.

In ſuch caſes the Bank are not an intermediate body, or power; there is no reſource on their refuſal, for they are the *dernier reſort*. The laws againſt uſury effectually deſtroy every other means of relief in this country, whilſt experience has proved, at Hamburgh, at Amſterdam, and other places, that the moſt effectual mode of keeping the rate of intereſt low, is to leave it free from every reſtriction. But this point has been very fully diſcuſſed by Mr. Bentham, in a ſmall tract, entitled "A Defence of Uſury," which has never been anſwered, becauſe in truth it is unanſwerable. As the determination of the Bank was founded upon the demand which came from every quarter of the country for guineas, I muſt

muſt beg leave to add ſome remarks on that ſubject. I do not mean to offer thoſe remarks for the information of the Directors, as they are no doubt well informed on the ſubject; nor do I pretend to arraign their conduct, as circumſtances may have exiſted to juſtify their proceedings, although it may be improper to diſcloſe them publicly. I can reaſon only upon what is generally known, and upon thoſe principles in which I am perſuaded the Directors will agree.

For the preſent purpoſe, it may be ſufficient to confine the conſiderations, as to the cauſe of the demand for guineas, to three heads:

Firſt, As a Medium of Remittance to foreign parts, to ſupply the want of Bills of Exchange.

Second,

Second, For the purpoſe of Hoarding in the country, from a want of confidence in the Government, and in the circulating paper.

Thirdly, To enable Country Banks to diſcharge their demands, whilſt confidence in the Government, and in the Bank of England remained entire and perfect.

The firſt is the moſt dangerous, as being the moſt injurious to the country; every meaſure ought to be taken to palliate or prevent it, prohibitions or bankruptcy excepted; but it is inevitable, if we ſhall continue for a long time to have more to pay to foreigners than we receive from them; or, in other words, if the Balance of Trade is againſt us.

The

The Second is the only circumſtance which can in any meaſure juſtify the late bankruptcy; but I wiſh to reſerve this point for future conſideration.

The Third ought to be viewed, not with perfect indifference, but with a diſpoſition on the part of the Bank to ſupply almoſt their laſt guinea; as they cannot be ſent abroad, but muſt return again to their own coffers, as proved to be the caſe in the year 1793.

It was notorious, at the time, that large quantities of gold and ſilver were received from France; of courſe none could be ſent thither.

The

The following calculation will ſerve for Amſterdam, viz.

100 guineas coſt, with freight, insurance and charges, - -	£106	13	0
Sold at *f*12 each, is *f*1200, agio 100½ per cent. is banco *f*1193, 11, and at the average exchange of 38 6 from January to March 1793, is - - - - - - - - - - - -	£103	6	9
Loſs - - - - - - -	£3	6	3

The price of guineas at Amſterdam was invariably *f*12, from January to the 12th April, 1793; but guineas were hardly ever in ſufficient quantity in Holland to become an object of trade, until the Britiſh troops landed in February, 1793.

The

The calculation for Hamburgh appears ſtill more unfavourable.

100 guineas coſt, with charges	£106	13	0
They contain, in ducat gold, at Hamburg, 225 ducats, at 96½ banco per ducat, is marks banco 1357, at the average exchange of 35, 3	£102	10	6
Loſs - - - - - - - -	£4	2	6

The price of 96½ is the par for a ducat, which was about the average price for January, February, and March, 1793.

In this ſituation of the foreign exchange, it was impoſſible that the coin of the country could have been exported: individuals will not act contrary to their own intereſt, which

operates

operates in ſuch caſes more effectually than acts of parliament; and is in reality the only wiſe reſtriction which ought to exiſt, in a country ſo much dependent on its trade. Individuals muſt pay freight, inſurance, brokerage, and ſome ſmall expences, in addition to the loſs on the price; ſo that no impartial perſon can entertain apprehenſions for a moment, under ſuch circumſtances. The export of foreign gold and ſilver ought always to be free, and the Bank ought to ſupply the demand, whenever it ſhall ariſe; under a certainty that the export will produce a beneficial effect on the courſe of exchange, and thereby enſure its return, (provided the balance of trade is in our favor) with additional profit. The coin of the country may, however, be in a different ſituation; but on this ſubject I will not enter, as it will require a volume to diſcuſs. If the balance is againſt us, whether ariſing from

from our trade, or as the reſult of ſubſidies paid to foreign powers, that balance muſt be paid in gold or ſilver; and if there is not ſufficient foreign bullion in the country for the purpoſe, guineas muſt and will be ſent, or Bank Notes will be reduced to an enormous diſcount; it is in vain to prohibit what cannot be hindered; the ſevereſt law will only tend to throw that profit into the pocket of the ſmuggler, which would otherwiſe belong to the fair trader.

I muſt diſtinguiſh, however, between that drain which is the reſult of a balance againſt the country, and forced operations for temporary purpoſes, which Government, with the aid of the Bank of England, can more or leſs prevent. Thus for inſtance, at the commencement of the French revolution, the Comptroller-General endeavoured to draw ſilver from hence, and from other places, to ſerve

ſerve temporary purpoſes at Paris, which the Miniſter ſtopped. If his object was to benefit this country, or to diſtreſs the finances of France, he ought to have encouraged and promoted ſuch operations; or, which would have been moſt effectual, he ought to have remained a ſilent ſpectator. Such was the ſtate of the exchange at the time, that each operation coſt 12½ per cent. and as thoſe operations could have been performed four, five, perhaps ſix times in the courſe of a year, the benefit to this country, and the loſs to France, could only have been limited by the extent of the powers of the latter; and which muſt in time be exhauſted, when 100l. ſent from hence in ſilver ſhall be found to return in two, or at moſt in three months, with an addition of 12l. 10s. for profit. Such operations would have produced a real effect without the aid of acts of parliament, or the hand of power; whilſt the wild and ignorant

ſpeculations

ſpeculations on the conſequences of the aſſignats and mandats of France, have vaniſhed in ſmoke.

I truſt that I have ſaid enough to prove, that in the beginning of the year 1793, when the foreign exchanges were favorable, and that no diſpoſition exiſted in the country to hoard, from a confidence in the Bank of England; whatever may have been the demand for guineas, they could not be ſent out of the kingdom, but muſt return to the place from whence they came.

If any doubt ſhall exiſt on the ſubject, I ſhould deſire to produce an indirect, but collateral proof, in the novel and very extraordinary meaſure which was brought forward at the time, to relieve the public diſtreſs; I mean the Commercial Exchequer Bills for five millions ſterling, voted by

parliament

parliament for the purpose; a measure which was attended with complete success. This success, however, has served unfortunately for a precedent to introduce a similar measure as a job, or for partial purposes. At this time the distress was universal in England, Scotland, and Ireland; the capital felt it in an equal degree; and the Bank must have participated; for nothing short of real distress could justify their conduct towards the country at large, and the cordiality with which they concurred, in having recourse to so extraordinary a measure for the purpose of general relief. Those Exchequer Bills were voted for the use of the general circulation; and the Commissioners were active and anxious to disperse them in every quarter to which they could be applied with security and effect. The event proved that their endeavours fully answered the intention of the legislature; for in a space of time scarcely

credible,

credible, confidence was completely restored, money became plentiful, and the commission was terminated with a profit to the public, after every expence had been defrayed.

A most unexpected discovery, however, was the result of this extraordinary measure; namely, the very extensive and important effects which may be produced from a cause comparatively trifling. The circulations from the Air Bank, and from Holland, in 1772, were very large. Those from Lancashire, mentioned before, were, I think, to the amount of about two millions: but it was now found that the universal distress in which every part of the three kingdoms was involved, and even the Bank of England itself, could be completely and effectually relieved by so small a sum as two millions one hundred thousand pounds sterling; which was about the amount of the Exchequer Bills

issued

iſſued on this important occaſion. A ſingle drop of oil (and the ſum of two million one hundred thouſand pounds, when compared with the property and circulation of the country, is no more than a drop) withheld from the main ſpring or pivot on which a great machine turns, will diſorder the whole. It muſt be evident that the Bank of England, in its relative poſition with reſpect to the country, is, what I have deſcribed before, a pivot or centre, on which the general circulation depends; and however important in that reſpect, may be removed or ſubſtituted, without entailing the certain, poſitive deſtruction of the country.

Theſe delicate ſubjects require inveſtigation at a period when the frenzy of temporary diſtreſs will catch at every ſtraw for relief: it has been urged with a degree of plauſibility, "Why not enable the Bank, by "means

"means of an adequate additional capital, to "ſupply every demand which ſhall ariſe from "commercial diſtreſs, and to face every "ſtorm?" or, "Why not eſtabliſh new and "rival Banks for thoſe purpoſes?"

To the firſt I anſwer, the Proprietors of Bank Stock will never conſent to take upon themſelves the expence and riſk of increaſing their capital, only becauſe great and unforeſeen diſtreſs has ariſen to the public in the beginning of 1793 and of 1797. They will aſk, how could ſuch additional capital be employed, and what profit would it produce in the years 1794, 1795, and 1796? Nor can the public expect ſuch exertions on the part of the proprietors, when the ſubject comes to be thoroughly explained: eſpecially as the public may at all times relieve the commerce, by reducing the amount of their loans at the Bank, and their floating ſecurities

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in the market. I beg however to be underſtood, that I am not an advocate for making too great ſacrifices to what is called commercial diſcounts; becauſe I know, that under ſuch pretence, much of the accommodation furniſhed by the Bank, has been abſorbed occaſionally by ſtock-jobbers, and improper ſpeculations.

The ſecond queſtion requires ſome explanation; and although a part of what I ſhall have to ſay belongs more properly to the bankruptcy, yet I will bring the whole into one point of view, for the purpoſe of preſerving the ſubject entire, and alſo to avoid repetition.

An honorable Baronet, (Sir William Pulteney) in a very able and ingenious ſpeech, at the cloſe of the laſt ſeſſion of parliament, urged the propriety and facility of eſtabliſhing a rival

a rival Bank, in caſe the Bank of England could not reaſſume their payments on a fixed day. I do not mean on this occaſion to attempt to anſwer his ſpeech, but ſolely to point out thoſe obſtacles, which, under the preſent circumſtances, in my humble opinion can not be ſurmounted. I muſt confeſs that I do not conſider the Bank refuſing to recommence their payments on any fixed day, to be ſufficient ground for a forfeiture of their charter. An enquiry muſt firſt be made into the cauſe of ſuch refuſal; and, if it ſhall be found that Government has been the real cauſe of their bankruptcy, however culpable the Directors may appear in the eyes of their conſtituents, yet the company are neither criminal nor culpable; and in ſuch a caſe it would be the heighth of injuſtice for the public to deprive them of their charter,--provided the Proprietors of Bank Stock do not, by approving of the conduct of their Directors, make it their own.

Suppoſe,

Suppoſe, however, that a rival eſtabliſhment ſhould be permitted; common juſtice requires, that the debt due from the public to the company ſhould be firſt diſcharged. It amounts to near twelve millions, and is lent to the public at an intereſt of 3 per cent. per annum, being 360,000l. If the Proprietors, on receiving payment of their capital, ſhall inveſt the ſame in the 3 per cent. conſols, it would amount to twenty-four millions of capital, producing annually 720,000l. The Proprietors probably would not make any very ſerious objections to ſuch an arrangement; but I doubt whether the public would feel diſpoſed to pay ſo enormouſly for an experiment only, or that the Chancellor of the Exchequer would be very much pleaſed with an addition of 360,000l. annual taxes, to the amount of what the current ſervice of the year requires.

But whether the preſent Bank remains or retires, no new eſtabliſhment can be ſuffered to enter the liſts, unleſs upon terms equally advantageous to the public, and with powers capable of performing equal ſervice. It is therefore fair to aſk from whence, or by what means, is ſuch a combination to be formed? Can it be ſuppoſed that a real capital of twelve millions can be raiſed, in the firſt inſtance, when it is known that the whole muſt be lent to Government at an intereſt of 3 per cent. per annum, thereby reducing the value of their capital, at the market price, ſix millions ſterling at one ſtroke? and I confeſs that it is beyond my ſkill in arithmetic to calculate the poſſibility of profit under ſuch circumſtances. I do not deny that ſubſcribers may be found, of which we have an inſtance in the Air Bank, if the managers of the new eſtabliſhment will promiſe an accommodation of 200l. for every 100l. ſubſcribed; namely,

100l. to make good the ſubſcription, and the ſame ſum for other purpoſes; in ſuch caſe, indeed, there is no doubt but that ſubſcribers will appear in abundance.

It is proper for me to mention further, that I differed eſſentially in opinion from the Honorable Baronet, in the principle for which he contended. The difficulty aroſe from a want of coin or bullion: paper was already too abundant, and meaſures had been adopted to reduce the quantity, which were proceeding gradually and with ſucceſs. The old Bank could augment its paper *ad infinitum*, if that was the object; but the country was ſmarting under its preſſure, and called for a reduction. A new eſtabliſhment could not add one ſingle guinea to thoſe in circulation, (and the diſtreſs aroſe ſolely from the want of guineas) but could only increaſe the difficulty, and add fuel to the flame, by an emiſſion

emiſſion of more paper; which muſt by degrees have led to a ſecond bankruptcy, before it was poſſible to ſurmount the conſequences of the firſt.

To the charter of the Bank of England this country is indebted in a high degree for the proſperity ſhe has enjoyed; and to a clauſe in that charter, which prohibits any other eſtabliſhments of a ſimilar deſcription, we may look as to a ſhield, to protect us againſt projects, ſuch as thoſe of the South Sea, the Miſſiſſippi, the Air Bank, &c. &c. It ought to prove a deciſive anſwer to every new plan, for an increaſe of paper by means of a new Bank, that the Bank of England can, and muſt, iſſue to the full extent which the circulation of the country can ſupport with ſafety; for their charter obliges them, and it is their intereſt to do ſo. If an addition is made by the means of a new eſtabliſhment, the paper

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of one, perhaps of both Banks, muſt ſuffer a depreciation, and cannot circulate at par.

Paper, as a circulating medium, is more than convenient; for in theſe enlightened times it is neceſſary, and even indiſpenſable. The difficulty ariſes from the conſequences which reſult from the two extremes: in the caſe of too great an exceſs, depreciation, diſtreſs and convulſion muſt follow; but, if too much curtailed, the exertion and induſtry of the country is chilled, or palſied, and its growing proſperity thereby prevented. The Bank of England, from their central poſition, are moſt fortunately placed to form a correct judgment on this ſubject, and the amount of their Notes in circulation will conſtitute a perfect barometer, reſulting from long experience and practice.

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The tranquillity, confidence, and general proſperity which ſucceeded the firſt ſix months of the year 1793, and continued for thoſe of 1794, 1795, and part of 1796, was wonderful: during thoſe periods it frequently happened that money could not be employed at an intereſt of 4 per cent. per annum. I have very little doubt about the cauſes which produced this happy effect, but their diſcuſſion is unneceſſary for the preſent: it is ſufficient only to obſerve, that money became ſcarce towards the end of 1796, and that the Bank ſtopt payment in the beginning of 1797.

This very ſudden tranſition from plenty to ſcarcity, from ſcarcity to diſtreſs, and from diſtreſs to bankruptcy, could ariſe from no common cauſe:--indeed all convulſions in the circulation and commerce of every country muſt originate in the operations of government, the plans of miniſters, or in the

 miſtaken

mistaken views and erroneous measures of those possessing the power of influencing credit and circulation; for they are not otherwise susceptible of convulsion; and if left to themselves, they will find their own level, and flow in one uniform stream. The famous answer of the merchants of France, to the minister of Louis the XIVth, is often quoted, and its truth universally acknowledged, "Let *us* alone." It is in the mouth of every minister, but with a slight alteration, "Let *me* alone;" by which means it is used as a ladder to private ambition, or for some great political operation; in both which cases the commerce and the country equally suffer. There is no doubt but that the prosperity of the country is in a great measure owing to its flourishing trade; but deep reflection will carry conviction to a strong mind, that the commerce of every country will flourish the more, as it is preserved separate and distinct from

from ministerial plans of political arrangement. Every attempt to blend these endangers the respectability and character of the nation. How much more dignified should we have appeared, for instance, in the eyes of Europe, if, in the conduct of the present war, the most prominent feature had not been a pursuit of plunder,

When the French party was prevalent in Holland, in the year 1787, the ambassador, (at the suggestion of the leaders of the party) offered to the merchants, to make any alterations for the purpose of introducing further commercial advantages into the treaty between the two countries. Such alterations would, no doubt, have furnished materials for many fine declamatory speeches; but the merchants were too wise to be so easily caught,---their answer was, "Let the treaty alone."

My

My object, in making these remarks, and which may be considered as a digression from the subject, is to state distinctly, that whenever the hand of power interferes in the circulation or commerce of the country, it always proves injurious, and sometimes destructive.

For the last six months of the year 1793, the whole of 1794, and until the close of 1795, money was as plentiful as in time of peace; but some slight appearances begun then to arise, which were very much increased in the spring of 1796. In former wars it had been the practice of ministers to form a combination of the most respectable monied men, to contract for the loan for the year; under an opinion, that as they possessed the powers, they would support and carry through the engagements they had undertaken to perform. On this occasion a set of gentlemen were selected

selected by the minister, who did not possess those powers; as they had recourse to circulations, operations on foreign places, and other expedients, to enable them to make good their payments; which produced some effect on the course of exchange, but still more on the rate of interest in the country, which was soon pushed beyond what is allowed by law to be received; as the merchants, manufacturers, &c. can pay no more than 5 per cent. per annum, and as money was not to be obtained at that rate in the market, they were driven once more to the Bank as a *dernier resort*. In the mean while the calm and confidence which had reigned so long within the walls of the Bank, was materially disturbed, in consequence of the increased amount of foreign subsidies, and remittances to the continent, for the public account: these had increased beyond the capacity of the current circulating paper to

 supply,

ſupply, and therefore could not be melted down in the courſe of the year, by means of the balance of trade; but muſt be liquidated with gold and ſilver alone. How far thoſe operations were conducted with common ſkill and judgment, I will not attempt to diſcuſs, but ſhall confine myſelf ſolely to the effects they have produced. At firſt, and indeed for many months, the Bank acted in ſuch a manner as to ſatisfy the public, and to keep the country quiet; but the demand for guineas muſt have been enormous: this will ſoon be underſtood from the following calculation of the profit to be obtained on exporting them to Hamburgh, in the months of January, February, and March, 1796.

The price of Gold abroad had advanced to $99\frac{3}{4}$ per ducat, which for 100 guineas makes

1402--12

1402--12 marks banco, and at the average exchange of thoſe months 32-3 is £ 115 9 9
Deduct the coſt as before 106 13 0

Profit - - £. 8 16 9

But as this was the higheſt price, it may be proper to quote the average of each month in 1796.

	Exchange in London.	Price of Gold in Hamburgh	Produces on Exchange	Profit
In January	31--8	$97\frac{1}{2}$	34--2	$7\frac{1}{4}$
February	32--8	$99\frac{5}{8}$	34--10	$6\frac{1}{2}$
March	31--11	99	34--$8\frac{1}{2}$	$8\frac{3}{8}$

With ſuch documents in the poſſeſſion of every foreign Merchant, there is no occaſion to aſk a queſtion either of the Miniſter or of the Bank: there muſt exiſt ſome forced unuſual operation, by which the country was drained of its bullion, and of its coin, beyond a poſſibility of continuing for any length of

time;

time; and this drain was in a great degree the Imperial Loan, aided by ſome other collateral circumſtances.

As the public attention was particularly drawn to the Imperial Loan at the time, and as it formed the prominent feature in the remonſtrances from the Bank, it has been conſidered as the ſole cauſe of the general embarraſſment. I wiſh therefore to explain, that it was the magnitude of the ſum, not the deſcription of ſervice, which created the difficulty. It muſt be indifferent to the country, if bullion is exported, to what ſervice it ſhall be applied; but it is of infinite importance, whether the magnitude of the ſum ſhall exceed, or fall ſhort, of the balance of trade. Whether money ſo exported ſhall be applied to the payment of the Britiſh troops in Germany, for the foreign expenditure of fleets in the Mediterranean or Liſbon, or whether

whether it ſhall be for an Imperial Loan, or foreign ſubſidies, is exactly the ſame to the country; for whilſt the balance of trade is favorable, the money muſt return.

I do not mean to inſinuate that foreign loans, or that foreign expenditures, are ſubjects of indifference to the country; they are no doubt clear unequivocal loſſes, which the calamity of war has produced; but my endeavour is, to diſtinguiſh correctly the effect which they produce on the general circulating coin, when they exceed, or when they fall ſhort of the balance of trade. It is no doubt moſt ardently to be wiſhed, that there ſhould be no occaſion for the exportation of bullion; or in other words, that there ſhould be perpetual peace; but during war, one of the moſt eſſential ſervices which commerce can render for the aid and aſſiſtance of the public, is to furniſh from that treaſure which the

the balance of trade has contributed to accumulate during peace, the gold and ſilver which the exertions and exigencies of the ſtate ſhall require for their operations abroad during the war. It is by ſuch means alone, that the political and commercial powers have formed a combination of ſtrength both for offenſive and defenſive operations, which has aſtoniſhed Europe; although from the laviſh profuſe manner in which they have been applied, they have not always produced their proper effect.

It was, therefore, not the nature or deſcription of ſervice, which rendered the Imperial Loan ſo injurious; but ſo many drains on the bullion of the country exiſted previous thereto, and at the time, that the addition of ſuch an enormous ſum produced the moſt pernicious conſequences. The alarm of the Bank, and their remonſtrances, were

were well founded; and their ſituation, if ſuch operations had continued, was pregnant with real danger. They had ſtruggled, however, through the year 1796, and muſt finally have ſurmounted this difficulty, as any further Imperial Loan had been abandoned, and the foreign exchange was turning in favor of the country, when an event happened which was deciſive on the fate of the Bank.

After what has been mentioned, it may be expected that the amount of the guineas in their poſſeſſion muſt have been reduced to a low ebb, when the landing of a handful of French troops created an inſtantaneous general alarm, and occaſioned a demand for money, to which neither gold nor ſilver in bullion could be applied, as nothing would be accepted but the circulating coin of the country. Perſons of almoſt every deſcription caught the alarm; tradeſmen, mechanics, and particularly

ticularly women and farmers, (to whom I am ashamed to add many of a superior class and rank) all wanted guineas, for the sole purpose of hoarding. In the year 1793, when confidence in the Notes of Country Banks, and in every other description of paper had vanished, those of the Bank of England circulated with the utmost freedom, and without the slightest hesitation or doubt. But on this occasion Bank Notes at first were considered almost as waste paper, so that it was impossible to satisfy the timid and ignorant with any other payment but guineas.

If this event had happened before the Bank had been drained for foreign services, it might have produced a temporary effect only, which they could have faced by means of their usual deposits, under a persuasion that the cause would soon be removed, on finding that the attempt on the part of the French was not supported.

supported. But it came at a moment when their stock of guineas was already too low, and rendered the calamitous measure to which they adverted, in my opinion, indispensable. The demand for guineas ceased, no doubt; not because the desire of obtaining them had abated, but because the Bankers and Merchants united firmly to support the Bank in their refusal to issue guineas, and to accept of their Notes instead thereof, as a circulating medium. The cause of the calamity originated in those drains which had previously existed, to supply the foreign loans, and foreign services, on behalf of Government, and which had never been properly combined with the capacity which the country possessed to supply them; but what produced the crisis was, the landing of the French troops.

The timidity which appeared in many very sensible men, on that occasion, surprised me

me much: they muſt know the impoſſibility of obtaining a ſum in guineas, in any degree proportionable to their property; as every perſon had an equal right to be ſupplied, and would hoard as well as themſelves. Whatever ſum they could obtain (as property, from its nature, cannot be entirely converted, but is more or leſs fixed and immoveable) would ſerve only for a ſhort time, when their general property muſt ſerve at laſt, for a purpoſe to which it is equally applicable from the firſt; namely, that of exchange or barter. If the French could poſſibly land with an irreſiſtable force; if the Bank of England was annihilated; if the public debt followed, accompanied with general confuſion and convulſion, ſome order of things muſt either continue to exiſt, or ſoon be re-eſtabliſhed: we know from authority more than human, what followed even a ſtate of chaos. The circulating paper cannot be entirely deſtroyed; it

it muſt in every event preſerve a certain value: in the firſt place, it muſt liquidate, and at par, a large maſs of engagements by a mutual exchange, as thoſe who hold a large ſum in paper have generally a large ſum to pay: the balance which reſults, after ſuch liquidation, will ſtand, however, in a very different predicament, and depends altogether on circumſtances, but appears in ſuch numerous intricate points of view, as to render a diſcuſſion impoſſible; excepting only that I cannot conſider thoſe balances, even viewing them in their worſt light, as of no value.

Property muſt always exiſt under every government, and cannot be annihilated; its nominal value will vary conſiderably; but its comparative value, although it may be affected for a time by accidental circumſtances, will in the end be more or leſs the ſame.

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The comparative advantage, therefore, of any one deſcription over another, in caſes of public convulſion, is at leaſt very dubious, and opens a wide field for opinion. It depends, at the ſame time, upon the magnitude or value of ſuch property: my argument applies chiefly to that which is conſiderable, for a ſmall amount will admit of managements of which even a few thouſand pounds are not ſuſceptible. The depreciation or annihilation of property, is however a very different queſtion; for in caſe of convulſion or general calamity, all muſt, or ought to ſuffer; many, or perhaps moſt, will endeavour to eſcape; but perhaps this is neither to the credit of their head or their heart. I muſt however add, that whatever may be their intention, they cannot ſucceed except in a certain degree. To explain my ideas more fully, on the ſubjects of paper and of property, I will beg leave to ſtate

ſtate the probabilities of an inveſtment to the amount of ten thouſand pounds, in the caſe of an invaſion, or even conqueſt of the country, by a foreign enemy, with a view to the ſecurity of the individual; and for that purpoſe I will compare what I conceive to be two oppoſite extremes; I mean wheat or corn, with Bank of England Notes. The ſum of ten thouſand pounds, veſted in corn, will form a maſs of conſiderable bulk, and cannot eſcape the knowledge of the neighbourhood; it will no doubt preſerve its comparative value more than any other article, becauſe it is indiſpenſable; but in this ſuperiority conſiſts its diſadvantage or danger: for what relates to the neighbourhood, they will pay for their purchaſes by an exchange of goods or labour, as far as their capacity will permit, by a transfer of debts to a certain extent; and as the exchange and the transfer cannot ſuffice for the whole amount,

 they

they may perhaps offer in payment for what remains the circulating medium of the time; for perſons in ſuch ſituations cannot be poſſeſſed of gold or ſilver. If the proprietor accepts ſuch payment, all objections againſt the circulating medium vaniſhes; but as it is probable the wealthy proprietor or farmer will refuſe, the neighbourhood will not ſtarve, with the means of ſubſiſtence in view; and then the common proverb may be literally verified, that hunger will break through ſtone walls. With regard to invaders, or ſuppoſe even that they are conquerors, they would demand corn as well as money; and their requiſitions would be more irreſiſtable for corn, which cannot be concealed, than for articles which are leſs bulky and more eaſily kept from notice: theſe circumſtances are independent of fire, and depreciation of quality. If it ſhall be ſaid, that the objections are againſt the maſs, or

or amount, and not to the article, I muſt anſwer, that the effect will be the ſame, whether corn is withheld by one or by twenty perſons. Its being withheld produces the conſequences; in the firſt place againſt the large maſſes, but finally againſt all; and the ſame argument will apply againſt holding a ſtock of any article of ſuperior uſe or neceſſity for the public, in caſes of convulſion and danger.

The circumſtances which would attend the Notes of the Bank of England do not require ſo much detail. Under every ſituation of calamity, convulſion, or invaſion, moſt of the gold and ſilver would diſappear, and ſomething muſt be ſubſtituted. In ſuch a predicament what ſubſtitute can equal the paper of the Bank of England? the extent being ſo moderate, compared to the circulation of the country, and iſſuing totally independent of the

the Government. It would even be for the intereſt of an invading enemy to ſupport a Bank ſo eſtabliſhed; for by deſtroying it they would deprive themſelves of the m ean of drawing any advantage for a long period from a conqueſt. When the French took poſſeſſion of Amſterdam, they were wiſe enough not to touch the Bank; and Bank money at Amſterdam is worth much more ſince that invaſion, than it was before. I am therefore diſpoſed to think it poſſible, that even in ſuch an event as is now ſtated by way of ſuppoſition, paper of this deſcription, inſtead of being the worſt, would prove the beſt ſecurity in which property could be inveſted. At all events, a wheat ſtack may be conſumed by fire, and the whole of the capit l loſt; but ſomething muſt attach, in my opinion, to a Bank Note in the worſt of times, ſo long as the independence of the Bank on Government ſhall be preſerved, and that

that their paper in circulation doth not much exceed its preſent amount.

If I have explained my meaning, and am founded in my arguments, it will appear that convulſion will not operate partially, but generally upon property; and that the precipitancy with which one deſcription of property is rejected, in preference to another, is not likely to produce the deſired effect; but that all or moſt will have their comparative value. Perhaps it may illuſtrate this point ſtill more, by obſerving, that if my neighbour, who is worth 50,000l. ſhall be reduced to 25,000l. whilſt my fortune of 10,000l. is reduced to 5000l. and that the fortune of every perſon is reduced in the ſame proportion, our comparative ſituations will be the ſame, and we ſhould enjoy the comforts and luxuries of life in the ſame degree. In ſhort property of every deſcrip-

tion,

tion, land, corn, paper, &c. &c. all muſt ſuffer under a general convulſion; a part, more or leſs of each, will no doubt be loſt; but a part of each muſt alſo remain.

If I entertain a favorable opinion of the paper of the Bank of England, it is natural that I ſhould wiſh to ſee every endeavour uſed to ſtrengthen the general confidence, and to protect it againſt the poſſibility of depreciation; and although I am perſuaded that in caſe of abſolute neceſſity the country could exiſt and proſper without the Bank; yet, ſo long as it can be maintained, and enjoy a well-founded confidence, the proſperity of the country will increaſe far more rapidly and extenſively; at the ſame time, the eaſe and accommodation which accompany it muſt contribute very much to internal tranquillity.

Independent

Independent of miſmanagement, the Bank may ſuffer from the following cauſes:

Convulſions in Country Banks, and country circulation, by which means too great and ſudden a demand may ariſe, ſimilar to that of 1793.

An invaſion by the enemy producing general alarm.

Too large an export to the Continent of its bullion or coin, for foreign ſubſidies or ſervices.

An improper influence of Government.

There are, no doubt, other circumſtances of leſs importance, which either by direct or indirect means will produce an effect on the Bank, but they are not applicable to the

 preſent

preſent moment, or they would require too much detail to inveſtigate and explain; and at all events they cannot apply to ſhake the confidence due to the Bank.

The firſt and third points have been already explained, and a remedy in part only has been propoſed for the firſt. When the bankruptcy took place, and which I have no doubt was brought to a criſis by the trifling and contemptible circumſtance already mentioned, the legiſlature thought proper to ſcreen the Government, who were the cauſe, in conſequence of the previous drains on the country for foreign ſervices; and the Bank, who were the defaulters, by making Bank Notes a legal tender as far as related to themſelves. But the blameleſs ſuffering public were deprived of ſuch a ſhield; thoſe Notes were not a legal tender between individuals, who were given to underſtand, that if they were

were compelled to have recourſe to a court of law, by means of ſophiſtry and quibbling, they ſhould have---not relief---but ſomething which was never diſtinctly explained, as it never was correctly underſtood. Confidence in the Bank, however, has ſupplied the want of legal protection; and it may now be aſked, what detriment or inconvenience could have ariſen, if the Notes had been made a legal tender for all? It is a miſerable ſubterfuge to ſuppoſe, that by ſuch an arrangement the diſgrace could be palliated, or the word bankruptcy be evaded. In all great movements, whether in mechanics or governments, or even in the intercourſe of nations, the more ſimple, general, and intelligible the principle, the greater is the power, and the more certain is the effect. On ſuch an occaſion, it ought to have been one common cauſe, of Government, Bank, and people; there could have been but one

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opinion, as there was but one intereſt. The diſtinction was unjuſt and invidious, whilſt the event has proved that it was wholly unneceſſary.

The ſituation of the Bank is now totally altered; in conſequence of the very high courſe of exchange with Hamburgh, which has produced a prodigious influx of gold and ſilver, whilſt the panic has ſubſided, and confidence is generally reſtored. In this predicament, it merits ſerious conſideration what ought to be done in regard to the act of parliament which will ſoon expire. Whether it ſhould be ſuffered to expire? Whether it ſhall be renewed? Or, whether it ſhall be continued with alterations? And from the moſt mature conſideration I am capable of giving to the ſubject, I am induced to prefer the laſt, namely, that Bank Notes ſhould be made a legal tender generally, during the preſent

preſent war, under reſtrictions which I ſhall mention hereafter.

My chief reaſon is, that credit ought never to be ſubject to convulſions; a change even from good to better ought not to be made, until there is almoſt a certainty of maintaining and preſerving it in that poſition; for a retrogade motion in public credit is productive of conſequences which are incalculable. With this principle in view, I am averſe to the Bank re-aſſuming their payments generally during the war, whilſt there is a poſſibility of their being obliged to ſuſpend them again.

We have experienced the conſequences of the landing of only 1200 French; and an enemy will avail themſelves of every circumſtance which can produce an alarm. I have read

read and converſed with foreigners at many different periods of my life, on the ſubject of invaſion; and although young men will recommend and hazard every thing for the chance of perſonal fame; yet I have been always impreſſed with an idea, that the judgment of the ſober-minded, and particularly the ſcientific experienced men, always had two objects in view, namely, the poſſibility of ſucceſs; but in caſe of miſcarriage, the dangerous effect an attempt might produce on the Bank of England, in conſequence of ſpreading a general alarm. And admitting always the impoſſibility of making a ſerious impreſſion on the country, it is an object of real importance to guard againſt the confuſion (in pecuniary concerns) which muſt reſult from the attempt, unleſs the Bank ſhall be protected in the manner I have propoſed. It is in vain to treat the conſequences of

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an alarm as chimerical, when ſo many deſcriptions of perſons poſſeſs property which exceeds in value the total amount of the circulating coin of the country. For inſtance, the farmers, who have grown rich by the war, and hold more circulating paper than any other deſcription of perſons, and which conſiſts, in a great degree, of the Notes of the Country Banks at preſent: but the farmers have been diſtinguiſhed for taking the lead in caſes of alarm. It is unneceſſary to enumerate, or to enter into further details, as every well-informed perſon muſt be capable of judging on this point.

We have alſo found by experience, that no inconvenience can ariſe to individuals, or the public; for every perſon can procure with eaſe, as much gold coin as he wants to ſupply

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every common purpoſe. At the ſame time a power to withhold need not prevent the Bank from iſſuing as much coin as may be wanted, although it ought not to be iſſued with too liberal a hand, from the certainty of its being hoarded for a time, on the appearance of the moſt trifling alarm.

If this principle is adopted, and the conduct of the Directors ſhall be pure and correct, I am ſatisfied that it will promote confidence, as it muſt alſo increaſe the ſecurity of their Notes. But as the Directors are men, and of courſe fallible, it will be dangerous in the extreme to truſt them with ſuch power, without ſome efficient check and controul. They may, for the advantage of the proprietors, increaſe their circulating paper without bounds. Or, they may, under the influence of the miniſter, enter into loans or engagements beyond what the general ſecurity

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and ſafety can juſtify. Theſe objects can only be attained by limiting the amount to which the company ſhall be permitted to iſſue their Notes; and which, as obſerved before, ought not much to exceed the amount of what is at preſent in circulation. The preciſe ſum, and the regulations which are requiſite, muſt be the reſult of mature conſideration, and of practical knowledge; and which will not be difficult to arrange, if the principle ſhall be admitted.

I am aware of all the objections which can be urged againſt the making paper of any deſcription a legal tender; and I ſhould have been forward in oppoſition to every ſuch plan or propoſal, if the Bank had not already ſtopped payment. But whilſt we have ſuffered the diſgrace, no ſerious bad conſequences have ariſen; yet, if the ſame diſgrace ſhall happen a ſecond time, we may not be equally

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fortunate with regard to the conſequences. I deſire, however, to be underſtood, that I do not recommend Government paper of any deſcription as a circulating medium; between that, and the paper of a corporate, independent, reſponſible Company, there is a wide difference, a long interval indeed.

The Exchequer Bills of Government never can circulate, and never will be taken as a medium, becauſe the public never can rely on the amount being confined within proper bounds. So long as they are paid, or can be abſorbed in the revenue, ſoon after they become due, they are of uſe to the Executive Government, and a benefit to the public. But when the amount exceeds the means of liquidation, they become a dead weight, and clog every channel of the general circulation in ſuch a manner as to compel the Miniſter to reduce them once more within proper bounds.

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If this were not the caſe; Exchequer Bills and Aſſignats would be ſynonimous terms, and ultimately experience the ſame fate. The Aſſignats iſſued originally under a plan and promiſe for their gradual extinction, but when it was found that they continued to iſſue, to an amount far beyond what was extinguiſhed, the diſcount bore a proportion to that amount, and finally ſwallowed up the principal.

I never could underſtand the reaſon for the clamor that was raiſed, and the philippics that were pronounced in this country againſt aſſignats. We were induced to ſuppoſe, from what we heard and read, that the deſtruction of aſſignats in France was neceſſary for the ſalvation of Europe. I confeſs that it always appeared to me thoſe advocates totally miſtook their object, which I preſume was, to diſtreſs France by every

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poſſible means. They ought (I mean upon their principles) to have uſed every endeavour to encourage and ſupport the aſſignats in France; becauſe they would thereby have entailed an enormous debt on the country, for which taxes muſt have been impoſed, ſoon or late, to defray the intereſt. What a ſituation the two countries would have been in, if peace could have been made, leaving the aſſignats in exiſtence, with a diſcount of ſeventy or eighty per cent? thereby intailing upon the country the neceſſity of impoſing taxes ſufficient to pay the intereſt, and of courſe augmenting the price of labour in a proportionable degree. At preſent the debt of France is trifling, and the taxes, when peace comes, will ſcarcely affect the price of labour; whilſt our own taxes, for the purpoſe of defraying the intereſt alone, will amount to full thirty ſhillings for every head; and which for every labourer, who generally pays for many

many others beſides himſelf, cannot be leſs than three or four times that ſum. It may be very eaſily ſaid, that the French would at all events have availed themſelves of a ſpunge at the cloſe of the war; but experience authoriſes me to reply, that Republics are diſtinguiſhed for preſerving their faith towards the public creditor; and the conduct of the French on this occaſion will juſtify it, for they made long, unremitting exertions, to ſupport the credit of their aſſignats, thro' various adminiſtrations of moderantiſm and terror; nor did they abandon them, until every ſtruggle had been made, and that there was a decided incapacity in the country to pay or to circulate. I know very well, that the magnitude of the public debt is not deciſive on the fate of any country, but the price of labor is the leading prominent feature, where ſo much depends on foreign commerce for the ſupport of that debt. At this moment no

no judgment can be formed, as we muſt conclude the war before any compariſon can be made of our relative ſituations. The proſpect is no doubt gloomy in the extreme, and the change may be aggravated from the extent of our preſent trade, which is temporary, and cannot, by any contrivance, be preſerved after peace.

Amongſt many other expedients to promote the circulation of aſſignats in France, when they bore a large diſcount; one was, to fix the price of proviſions, and every article at which the ſeller ſhould be compelled to receive thoſe aſſignats in payment, and which was called the law of the maximum. So long as the real diſcount on the aſſignats bore a tolerable proportion to the maximum price fixed on the proviſions, all went on ſmooth and well; but when the diſcount advanced, the proviſions diſappeared, and which was the

chief cauſe of the diſtreſs and famine which prevailed in that country.

The ſame fate will infallibly attend all government paper, or paper of any deſcription, whether Exchequer Bills, or Bank Notes, which may be iſſued beyond a capacity in the circulation of the country, to receive at par. Not even the terror of Robeſpierre could induce the farmers or graziers to ſell corn and meat at the nominal price of the aſſignats: in a very ſhort time, notwithſtanding the dread of the guillotine, two prices were eſtabliſhed by univerſal practice, the one for money, the other for aſſignats; the interval, however, had been dreadful, having produced real diſtreſs and famine.

I think it will be ſuperflous to add more, for the purpoſe of explaining the difference between government paper, which may be iſſued

iſſued *ad libitum*, and that of the Bank of England; as a juſtification of the opinion I entertain, that the latter (under ſatisfactory reſtrictions) may be made a legal tender during the war, or at leaſt under the preſent exiſting circumſtances. It will not be ſufficient however to ſay with Sir Thomas More, (on a very different occaſion) *crede quod habes et habes*. The grounds on which confidence can be expected to reſt muſt be fully explained, perfectly underſtood, and prove equally and generally ſatisfactory.

I have therefore to propoſe, that the principle on which Country Banks are eſtabliſhed, ſhould be taken into conſideration; for the purpoſe of preventing, as far as the nature of the caſe will permit, ſuch convulſions as happened to commercial credit and the circulation of the country in the year 1793.

That

That with a view to guard againſt a return of the ſhock, which happened in the beginning of the preſent year 1797, the Notes of the Bank of England ſhould be made a legal tender during the war, or for ſuch a period as ſhall be deemed moſt proper, under certain regulations and reſtrictions.

But if the legiſlature ſhall repoſe ſo much confidence in the Bank; or even if the preſent act of parliament ſhall be continued, the Bank ſhould be reſtrained and limited in the amount for which their Notes ſhall be iſſued, as a ſecurity to the public with regard to the private intereſt of the Bank, and alſo to prevent their becoming, either directly or indirectly, the means of introducing Government paper as the circulating medium of the country.

FINIS.