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**REMARKS**  
ON THE  
*EARL OF LAUDERDALE'S*  
**PAMPHLET,**  
ENTITLED  
**THE DEPRECIATION**  
OF THE  
PAPER CURRENCY OF GREAT BRITAIN,  
PROVED.

*By Mr. Wilson*

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1812.

REMARKS

ON THE

PAMPHLET OF LORD LAUDERDALE

P. A. M. H. T.

EDITED

THE DEPRECIATION

OF THE CURRENCY OF GREAT BRITAIN

PROVED.

LONDON

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## REMARKS, &amp;c.

To the first part of the pamphlet, respecting the standard value of our circulating medium, I have no objection to make, being satisfied that the value of that medium, whether consisting of specie or paper, bears reference to, and is founded upon, the intrinsic value of our coin as bullion; and being, as much as his Lordship, an enemy to the new-fangled doctrine of abstract currencies. But it will be obvious in the sequel, that this concession can have no effect whatever in aiding the course of argument pursued by his Lordship in the after-part of his pamphlet.

The principal illustrations of Lord Lauderdale's and the Bullion Committee's theory of a depreciation of our currency, in this pamphlet, are derived,

1st, From the example of all governments who have issued paper money, and, more particularly, the conduct of the North American States previously to the revolution which established their independence, and also during their struggle with the mother country, by means of which their in-

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dependence was secured, and the case of the assignats issued by the French National Convention.

2dly, From the supposed parallel situation and conduct of the Bank of England during the two first years after its original establishment in the year 1694; and,

3dly, From the conduct of the two public banks in Scotland in the year 1762.

As to the first,

In all cases where paper money is issued by governments, and declared a legal tender of payment, it is evident that the community can have no security whatever against such issues being carried to excess. The extent of them does not depend on the demand of the community for the circulating medium, (in which case no more would be called for, or could possibly be kept in circulation, than the circulation could easily absorb); but on the necessities of the states by whom they are issued.

In all such cases, therefore, the circulation might speedily be overstocked with this paper money; and as it bore no interest, every person holding it would be desirous of getting rid of it as speedily as possible; and, rather than keep it without any prospect of its payment for a course of years, would be willing to sell it at a discount.

This discount, according to the circumstances of the case, and extent of the issues, might amount to 50 or 100 per cent.; and it is evident that the price of foreign bills of exchange, when computed in such degraded currency, would undergo the same nominal rise as the prices of all sorts of commodities when paid for in it.

This was precisely the case with the paper money issued by the North American States before the revolution.

The paper currency of North America, says Dr

Adam Smith; (Book II. Chap. II.) "consisted, "not in bank notes payable to the bearer on demand, but in a government paper, of which the "payment was not exigible till several years after "it was issued. And though the colony governments paid no interest to the holders of this "paper, they declared it to be, and in fact rendered it, a legal tender of payments for the full "value for which it was issued. But, allowing "the colony security to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where interest is at 6 per cent. is worth little more than forty pounds ready "money. To oblige a creditor, therefore, to accept of this as full payment for a debt of a hundred pounds, actually paid down in ready money, "was an act of such violent injustice as has scarce "perhaps been attempted by the government of "any other country which pretended to be free."

The cases of the paper dollars of the American Congress, and the assignats of the French Convention, must be fresh in the recollection of many persons; and it would be a mere waste of time and words to set about proving that these are totally dissimilar to that of the present issues of the Bank of England.

The Bank of England, though the greatest bank of circulation in the world, is in fact a bank of deposit, and issues no notes whatever, but on the security of real property of some kind or other. It does not require, indeed, the actual deposit of that property; but the Directors take care to be satisfied that the person obtaining their notes in exchange for his bill, is actually possessed of such property, which is thus virtually pledged for the repayment of the notes. In this way, it is evident that the bank affords a much greater aid to the in-

dustury of the country, than if it required the goods to be locked up for its security; since, by this extension of credit, the real capital, on the security of which the money is advanced, is left open for active employment: a course of proceeding which is certainly indicative of a great degree of public confidence, and practicable only in a country where commercial credit stands high. And even the advances to government form no exception to this rule, seeing no such advances are made, but either on the security of Exchequer bills, payable at stated periods, or in anticipation of certain parts of the revenue in the actual course of payment, and pledged for the bank's security.

Again, the issues are not ultroneous on the part of the bank, but merely the consequence of demand on the part of the public; and it is evident that the moment the circulation should come to be overstocked with its notes, or, in other words, that private bankers were possessed of more of them than they wished to hold, or could easily get rid of, the demand for fresh issues at the bank, on discounts of bills, would instantly cease; till, in the course of retiring the current bills held by the bank, the circulation should be relieved of the supposed excess,—an operation which never could require more than two months to be accomplished, seeing the bank holds no bills of a longer currency, but would most probably be accomplished in less than as many weeks.

With regard, again, to the circumstances alluded to by the noble Earl, as having occurred to the Bank of England itself in the year 1696,—these are nowise applicable to its present circumstances; and in so far as any inference can be drawn from them, it is completely hostile to his Lordship's argument.

It is matter of historical fact, the most incontrovertible, that the silver coin of this country, about the time of the establishment of the bank, in the year 1694, was in the state of the greatest degradation in which it had ever been from the days of Queen Elizabeth; and that chiefly from the fraudulent practice then prevalent of clipping it, in so much, that the standard guinea then passed currently for 25s. to 30s.; and as silver, not gold, was then the subject of legal tender in payments, it followed as matter of course, that the foreign exchanges should fall in proportion to the degraded state of the silver coin. But this fall in the exchange had taken place before the bank's establishment; and by none of the writers of those days was it attributed to any other cause than the degradation of the silver coin. And, accordingly, no sooner was the base coin called in, and the silver coinage reformed, than the exchange returned to its usual par, in the course of the years 1696 and 1697.

Previous to the establishment of the bank, a kind of government paper, called Tallies, charged on different branches of the revenue, had been issued by the public.

These tallies, being payable in the debased silver currency of the time, must, of course, have been subject to the same depreciation with it; and, accordingly, the depreciation of the tallies fully kept pace, and was in fact measured by, the depreciation of the silver currency.

The depression of the exchange with foreign countries had in like manner kept pace with the degradation of the coin; and, as stated by Dr Smith, on the authority of Mr Lowndes, in the year 1695, reached the same point of depression of 25 per cent. But surely there is not the slightest ground

for concluding, with Lord Lauderdale, that either the depreciation of the silver currency, or the fall in the exchange, was the consequence of an excessive circulation, produced by the issues of the government tallies. On the contrary, this degradation had taken place before any tallies were issued. Dr. Smith explicitly states, that it "had begun in the reign of Charles II. and had gone on continually increasing till the year 1695, at which time, as we may learn from Mr Lowndes, the current silver coin was, at an average, near 25 per cent. below its standard value."

Let us next attend to the consequences of the establishment of the bank, and the extension of its paper circulation, at that critical period. According to the doctrine of Lord Lauderdale and the Bullion Committee, it ought to have aggravated the depreciation of our currency; and the depression of the foreign exchange, by increasing the quantity of circulating medium. But so far from this being the case, according to the very authorities quoted in his pamphlet, the bank notes bore a premium against the degraded currency; and in consequence of the government tallies and foreign bills of exchange being now paid in bank notes, the former (in the words of Lord Lauderdale's authority) "were soon brought by the bank to par; while the discount on the latter was reduced to 3 per cent."

It is no doubt true, that afterwards (on the silver coin being reformed) the bank paper itself fell to a discount; but, while the bank paper fell to a discount, the foreign exchanges rose fully to par; and both from the very same cause, the reformation of the coin to its genuine standard.

While the coin was degraded, people preferred bank notes to silver; and thus the bank's issues

were drawn out to a greater extent than was consistent with a due regard to its own safety: but now that the coin was reformed, the bank was obliged to pay in coin of standard weight; and such was the reflux of its notes, that it was unable to retire them, and forced to lay its payments under temporary restrictions; and its notes upon this fell to a discount; not surely from any excess in the circulation, for the putting silver in their place would not have much effect in reducing it, but from a doubt of the bank's solvency, or from discredit; which, in the infancy of such an establishment, is not to be wondered at. Thus, says Dr Smith, "during the great recoinage of the silver which was going at this time (1696), the bank had thought proper to discontinue the payment of its notes, which necessarily occasioned their discredit."

Thus, also, Anderson, in his History of Commerce, states, that "the bad state of the silver coin, more especially in the years 1695 and 1696, and the ill humours contracted thereby, and by disaffection to the government, had brought the infant Bank of England into much difficulty and distress; so that their cash notes were now at a discount of 15 to 20 per cent. Their credit being so low as to be necessitated to pay those notes only by 10 per cent. once a fortnight, and at length to pay only 3 per cent. on these notes once in three months, occasioned by the bank's having taken in, for the notes issued, the clipped and otherwise diminished silver money at the legal or par value by tale, and also guineas at thirty shillings price; and for which receipts they issued their notes payable on demand, not having yet received out from the mint a sufficient quantity of the fine new silver coins for

" answering the daily demands on them for their " outstanding notes." And afterwards he proceeds: " All which sufficiently shew the great " difficulties this bank had to struggle with; and " yet in a few months after, by the recoinage being completed, and by the second or engraftment subscription of the said tallies, orders, and bank notes, to the amount of L.5,160,459. 14s. 9 $\frac{1}{4}$ d. the credit of the bank was quite restored, " with the greatest applause to the contrivers " thereof."

These authorities clearly shew, that the discount which at this time took place on Bank of England notes was not owing to any excess in the circulating medium, but entirely to discredit, from their inability to pay them.

His Lordship's theory will not derive much more support from the conduct of the Directors of the two public banks of Scotland in the year 1762, when the circumstances in which they were placed are fairly taken into consideration.

The fact seems to have been, that prior to the seven years war, from the year 1750, and also during the earlier part of that war, while the rate of interest was low, large sums had been borrowed, by persons carrying on improvements in Scotland, from the monied people in England; and when, towards the conclusion of the seven years war, the public funds had undergone a degree of depression hitherto unprecedented, a great part of that money naturally came to be called up. This, joined to the eagerness of the money holders in Scotland to make advantageous investments themselves in the public funds, and to that spirit of agricultural improvement and mercantile speculation which then took possession of the country, as well as the increased amount of the public taxes, which now fell

to be remitted to London, naturally produced a great demand for bills on London. The premium on London bills, which had never hitherto been fixed, but fluctuated according to the dispositions of parties, of course now rose to an unprecedented height, and was often as high as 5 per cent.

This extraordinary demand for London bills had begun in or before the year 1760, and had gone on increasing during the two succeeding years, until at last it had reached its height, about the beginning of the year 1762.

In this state of things, whatever had been the state of the paper circulation, it must have been matter of great difficulty, if not an absolute impossibility, for the banks to supply drafts on London to the extent demanded. The natural consequence of this was, that people, obliged to make remittances to London, and finding they could not get bills but at an enormous premium, endeavoured to supply their place by remittances in specie. An unusual demand for specie at the banks was the unavoidable consequence; and, what greatly aggravated their distress, a new set of dealers in exchange arose, whose business it was to pick up all the specie they could procure from the banks or otherwise, and transmit it, by sea or by the waggon, to London, so as to entitle them to draw bills for the amount, which they then sold at the high premium of exchange then current. Thus, while the banks were continually bringing down specie, the exchange dealers were as regularly sending it up, and the parcels must have frequently crossed each other upon the passage.

This extraordinary demand for specie, keeping pace with the depression of the exchange or premium on London bills, seems to have reached its height about

the beginning of the year 1762; in so much, that in January that year, the banks found themselves under the necessity, for their own safety, of adopting every measure in their power for checking it. On 20th January 1762, they resolved to restrict the credits on all cash-accounts "to three-fourths of the sums contained in the bonds; and on 17th March thereafter, they resolved to take in money at legal interest for six months, or longer, if agreed on, and at 4 per cent. if repayable on demand, or on cash-accounts."

Lord Lauderdale is pleased to say, that in adopting these resolutions, the Directors acted under a conviction that the demand for specie was the effect of an over issue, and consequent depreciation of their paper. And that though "the conduct of the Directors was described at the time as highly illiberal, and arraigned as ruinous to trade and manufactures, yet that, fortunately for the country, they persevered in the salutary expedient of limiting their issues; and that ultimately this was attended with complete success."

Now, how far his Lordship is correct in his assertion, either as to the bank's perseverance in their plan of restriction,—the conviction under which the Directors acted with regard to the cause of the demand for specie, and the success of the restriction of their credits, in restoring the exchange, will be sufficiently obvious from the following facts and documents.

The first notice of the unusual demand for specie, appearing from the records of the Bank of Scotland, is in an order of 11th January 1762, in which it is stated, that the extraordinary demand for specie had existed *for some years past*. And on 18th January 1762, preparatory to the restriction of the cash-credits to three-fourths of their amount, the

banks caused the following intimation to be made to the merchants.—

"The Directors of both Banks of Scotland, established by authority, considering the uncommon and extraordinary demand which for some time past has been made at their respective offices, and many other parts of Scotland, for specie, which threaten very bad consequences to the country in general, and particularly to the trade and manufactures, find themselves under a necessity of intimating to all those who have cash-accounts with either of the banks, that unless the dealers in exchange shall put an end to the practice, which has for some time prevailed, of purchasing bills on London, brought from different quarters of the kingdom, for which they not only pay an exorbitant exchange, but also the value in specie, which is carried out of the country; and unless these gentlemen, and others having cash-accounts, do, to the utmost of their power, discourage sending specie out of Scotland, the banks will be disabled from answering the growing demands daily made on them, and will be laid under the disagreeable necessity of stopping all cash-credits, and demanding the balance due on them. Whatever inconveniency shall arise from the measure will, in justice, be chargeable on those who, by trading in money bills of exchange or stocks beyond their proper capitals, have occasioned this distress, which the banks have, at a large expence, in vain endeavoured to obviate for some time past, but cannot longer submit to, without doing injustice to the country in general, and to their own proprietors in particular."

This clearly shews that the banks did not act



under the impression that the demand for specie was the consequence of any excess in their paper circulation, but that they attributed it to its true cause, the high premium on bills of exchange.

On the 6th of April following, the banks were reduced to the necessity of "taking the benefit of the option in their notes, to try whether this will put a stop to the demand." "No sum exceeding L.20 to be paid in specie, without the authority of the Committee of Directors."

6th May.—A message was received from the merchants, importing that they would discourage riders coming down from England to collect debts and carry away specie.

It would appear that, through the joint co-operation of the banks and the merchants, a temporary reduction of the rate of exchange was effected so early as the beginning of May 1762.

8th July 1762.—It was resolved, "that the restriction of a fourth part laid upon all cash-accounts on 20th January should be taken off all accounts of L.1000 sterling and under."

And, on 7th October 1762, the restriction was taken off all accounts not exceeding L.2000.

Any appearance of improvement, however, in the pecuniary affairs of the country that had hitherto taken place, turned out, it would appear, to have been entirely fallacious; for, by the end of August 1763, the demand for specie "made by English riders and others, who want to remit money to England," as expressed in the minutes of the bank, was as great as ever.

On 30th August 1763, it was resolved by the banks to grant no further cash-credits till 1st November.

19th January 1764.—A scheme and proposal was made to the banks by Messrs Alexander and

Sons for lessening "the demand made upon the banks, by lowering the course of exchange upon London, and thereby removing the temptation people are under of sending off specie, to save the high exchange." And on 13th March 1764, a memorial was presented to the banks, subscribed by all the principal merchants and private bankers in Edinburgh, in the following terms:

"The sundry merchants and dealers in exchange hereunto subscribing, taking under consideration the present state of the money transactions in Scotland, the great demand for specie made upon the public banks by obscure people, who send it to London, not in the usual way of trade, but with a view to profit, by drawing for the value at the present high exchange, the resolution of the Bank of England to prevent any part of the specie so sent from being brought back, and the inconvenience that may ensue from these causes, both to public and private credit,—

"To remedy these evils, so far as in their power, they hereby resolve,

"1st, That they will, by every possible means, discountenance and prevent all artificial demands of specie on the public banks, and will neither take any bills which they suspect are intended for that purpose, nor encourage or assist such as do take them.

"2d, That they will not, by themselves, or their agents for their own account, or for that of others, make any demands of specie on the public banks during the continuance of the present distressful times, further than for common change or small sums, such as shall be ab-



“ solutely necessary for travelling charges of persons going to England.

“ 3d, For the more effectual discouragement of the said pernicious practice, they beg leave to recommend to the public banks, as a measure useful, and even necessary, for the country, on this emergency, that they mark their notes in every case where demands of specie are made, with a view to profit.”

On 13th March 1764, accordingly, the banks once more resolved to take the benefit of the option in their notes. And on the 29th of that month, a memorial was laid before the general meeting of the Proprietors of the Bank of Scotland, in which it was stated, that “ the rise in the exchange for the last two or three years has occasioned a very great demand on the bank for specie, and made the bringing it from England both necessary and more expensive. That of late the exchange had run yet higher, and, consequently, the demand for specie had been greater. The Directors, therefore, thought it for the interest of the company to take advantage of the option, and, in concert with the Royal Bank, to mark their notes to such people as they had reason to suspect demanded specie only to make a trade of it.”

Soon after this time, it would appear that another temporary amelioration of the exchange and abatement of the demand for specie again took place; which, however, afterwards again recurred to nearly as great an extent as ever, and continued with little abatement downwards to the year 1772. That it continued in the end of 1768, appears from the resolution then adopted by the banks once more to restrict the credits on cash-accounts. This resolution is dated 14th December 1768.

and proceeds on a report, bearing, “ That at a conference between the committees of the two banks, in regard to the great demands made on both societies for specie and for draughts on London, it had been proposed to put some limitation to the transactions on cash-accounts, either by restricting the holders of them to a less sum, or to stint their operations to one day of the week.” Which being considered, it was resolved that the former method would be the most expedient. And the credits on cash-accounts were accordingly ordered to be restricted to L.1000, in all cases where they exceeded that sum, three months being allowed for effecting the reduction.

Still, however, the demand for specie continued, in so much that, from the month of August 1766, to March 1772, the Bank of Scotland alone was subjected to the expence of importing from London gold and silver specie to the amount of about L.400,000.

Towards the end of the 1771, and beginning of the 1772, the great object of lowering the exchange with London was at last effected; and from that time the demand for specie at the banks entirely ceased,—in so much that, in the course of the year 1772, considerable sums were voluntarily lent by the banks in gold; and in 1773 and 1774, large quantities of good as well as of light gold coin, bought by weight, were sent to London.

That this improvement in the exchange may have been in part owing to the united exertions of the banks and the merchants in checking and discountenancing the traffic in specie, may be allowed. Radically, however, it must have been owing to a real alteration in the state of the country during nine years of peace, in the course of

which, through the progress of our manufactures and improved cultivation, we were enabled to make a greater proportion of our remittances to England in the shape of goods. But that it was in the slightest degree effected by the restriction of our bank credits and paper circulation, there is not the smallest reason to believe.

In fact, during the whole of the period under consideration, the credits allowed by the banks had never, excepting on two, or at most three, occasions, when enforced by necessity, undergone any material diminution. X

*In 1768, 1769 &  
1770 they com-  
siderably exceeded  
their amt. in  
any former year  
from 1750 down-  
wards*

The circulation, however, as may naturally be supposed, did not bear the usual proportion to the money lent during the time the demand for specie continued. With the exception of the years 1761, 1762, 1764, and 1765, the circulation of the Bank of Scotland was uniformly lower in the above-mentioned period than it had been in the year 1760, and was lowest in the year 1768, when the demand for specie was still very great.

But, independent of the credits of the public banks, it is believed several new banking establishments had been set on foot in Scotland betwixt the years 1762 and 1772, and the transactions of the private banks issuing notes, established before the 1762, particularly the British Linen Company and the two Glasgow banks, had been considerably extended. So that, in place of our paper circulation being, upon the whole, circumscribed, it was probably considerably greater in the years 1771 and 1772, when the exchange became favourable, and the demand for specie ceased, than it had been in the year 1762.

Such being the real state of the case, how, under all these circumstances, can we conclude, with Lord Lauderdale, either that the high premium

on the exchange in the 1762 and following years, was owing to the excessive issues and consequent depreciation of our bank paper, or that the improvement of the exchange was effected by the reduction of our paper circulation? Or, finally, that the directors of our banking establishments acted under the conviction that these circumstances were anywise connected together as cause and effect?

But if Lord Lauderdale has been mistaken in supposing that the high premium given for London bills, in the period under review, was owing to the depreciation of bank-notes from over-issue, Dr Adam Smith is no less mistaken in ascribing it to the discredited state of the bank paper, from their taking advantage of the optional clause in their notes.

It has been seen that, excepting on two occasions, in spring 1762 and spring 1764, the banks never took advantage of the optional clause; and, even then, only in the case of payments above L.20, where there was reason to suspect that the party applying for the specie meant to make an improper use of it; and, in availing themselves of the option, they became pledged to pay the amount in specie at the end of six months, with the legal interest for the intermediate period. X

It is not easy to conceive that, under such circumstances, the uncertainty of getting those notes converted into gold and silver coin, should, as stated by Dr Smith, have had the effect of degrading them 4 per cent. below the value of that coin, so as to occasion a nominal rise in the exchange with London to that amount. But what shews it to be completely impossible that the rise in the exchange could have been owing to this cause is, that the high rate of exchange, and con-

*A condition  
in the fulfilment  
of which the Banks  
never once were  
accused of failing.*

sequent demand for specie, had existed for several years before either of the banks ever once availed themselves of the optional clause in their notes; and that when they first did so, in April 1762, it was only as a check on the demand for specie which had previously been produced by the high premium on London bills. It is clear, therefore, that Dr Smith is wrong in his conjecture on this point, as he is also in his assertion, that immediately on passing the act prohibiting the optional clause, the high premium on London bills ceased. That act was passed in the 1764; but the exchange on London bills continued high during the years 1766, 1767, and 1768; and, as already observed, was not finally reduced till about the beginning of the year 1772. There is reason to believe that few, if any, of the notes of the Bank of Scotland had ever been marked under the optional clause prior to April 1762; and that the whole amount marked during that and the three following years, extended only to about L.65,000, while the specie imported and paid away by that bank, within one year, from 1762 to 1763, exceeded L.100,000. The optional clause was finally abolished, as already mentioned, in the year 1764; after which the banks uniformly paid all their notes in specie on demand, to whatever amount required; and yet the high premium on London bills continued for six or seven years thereafter. These are facts that speak for themselves, and against which it will be in vain to oppose the opinion of any speculative writer, however deservedly high his reputation may otherwise be.

Besides the general causes of the increased demand for London bills towards the conclusion of the war 1756-1763, before pointed out, it seems probable that the evil was considerably aggravated

by the great number of mercantile adventurers, who, chiefly after the peace of 1763, launched out in extensive speculations in different parts of Scotland, and who, possessed of no adequate capital themselves, supported their credit by a circulation of accommodation-bills, drawn and redrawn betwixt Edinburgh and London; and that the general failure which took place among these adventurers in the year 1772, was favourable to the reduction of the exchange effected in that year. But this very tendency to over-trading may reasonably be ascribed to the unfavourable state of the exchange with London, as is uniformly the effect of an unfavourable exchange under any circumstances.

That this unfavourable exchange with England must have given a powerful stimulus to our export trade with that country, is a point that will not admit of dispute. But it is not easy to perceive that the system of over-trading could have had any effect in depressing the exchange. On the contrary, by increasing our export to England, it must have had rather a tendency to ameliorate the exchange; and it is not altogether improbable, that the restoration of the exchange, by depriving the merchant exporters of one considerable source of profit, may have in some degree contributed to the general failure which took place among the merchants concerned in the trade betwixt Scotland and England in the year 1772.

I have been thus full in my detail of the situation of the Scotch banks from the year 1762 to the year 1772, because it bears so strong an analogy to the present situation of the Bank of England, while the foreign exchanges are so much against this country. And we may safely conclude, from the example of the Scotch banks, that were the Bank of England obliged to pay in specie, while the premium on foreign bills continues as

high as at present, the doing so could have no other effect than to encourage the same sort of traffic in specie which took place in Scotland under the unfavourable state of the exchange there, by tempting people to demand coin for illicit exportation, which, as it would have again to be brought back by the bank, could have no effect whatever in restoring the exchange.

Such are the examples referred to by Lord Lauderdale in support of the theory of the Bullion Committee, that the depressed state of our foreign exchanges, and enhanced price of gold and silver bullion, are not the effect of an unfavourable balance of payments, but of the depreciation of our paper currency, in consequence of its excess. And I may be allowed to observe, that he has paid a very poor compliment to the understandings of his countrymen to imagine, for one moment, that they ever could be convinced by unauthorised conclusions, deduced from facts not merely not supporting, but absolutely hostile to the arguments drawn from them.

It is admitted by all writers on the subject, that this is merely a practical question, the solution of which depends not so much on theory as on matter of fact; and I shall now proceed to shew that, by this unerring test, the question may be considered as completely resolved.

According to the doctrine of the Bullion Committee, the exchange cannot, from causes purely mercantile, vary more than from 3 to 6 per cent. above or below par. Now, supposing the real balance of payments to have been against this country for the three last years, this, according to

their theory, could have accounted for the depression only to that extent; and in so far as the premium on foreign bills went beyond that, they concluded it must have been owing to the depreciation of our currency,—not from discredit, as they were obliged to admit, but from mere superabundance; that is, from people having more of it in their hands than they knew how to dispose of.

If the balance of payments was during all this time in favour of this country, then, according to their doctrine, it followed, that not only the whole of the depression, but from 3 to 6 per cent. more must have been owing to the depreciation of our currency. Thus, the utmost possible amount of the fluctuation, from merely mercantile causes, runs from 6 to 12, or, on an average, 9 per cent.

Now, if any of the supporters of the Bullion Committee will take the pains to calculate, they will find, that during the very time when his Lordship was engaged in preparing his pamphlet for the press, and since it was published, the exchange with Hamburg has risen about 16 per cent. in favour of this country, taking the par of the exchange at 34.3½ Flemish shillings to the pound sterling, or from 24 Flemish shillings to the pound sterling, which it stood at in August and September last, to 29.4, which it stands at now (April 1812),—a fact which is completely decisive of the question at issue. For, let it even be supposed that the real exchange was unfavourable till within these three months, though it may be observed that the advocates of the Bullion Committee never would admit that it was so, and that it is now turned in our favour, this might account for about 9 per cent. of the difference which has actually taken place,—but, how is the remaining

7 per cent. to be accounted for? Not surely by any reduction of our paper circulation; for it will not be pretended that any such reduction has taken place. On the contrary, it has rather been increased. And if this improvement of the exchange has not been the consequence of a reduction of our circulation, the conclusion inevitably follows, that the rising and falling of the exchange is not dependent on the extent of our domestic circulation, but on other causes; and these, unquestionably, of a nature purely mercantile and political, and nowise the effect of an excess of currency.

Let those who insist that it is owing to an excess of currency, point out the way in which such excess could take place. For my own part, I never could discover the possibility of it, any more than that of a vessel being made to hold more of a liquid after it has been filled to the brim. Neither can I discover how the introduction of a paper currency ever could have any effect in raising the prices of commodities, otherwise than indirectly by encouraging industry, and increasing the demand for them. Directly they can have none; for no man will get bank-notes but on the security of property, which he could have exchanged for other commodities, by means of private bills, without the intervention of a single bank-note.

But though I have supposed, for the sake of argument, that the real exchange may now be  $4\frac{1}{2}$  per cent. in favour of this country, yet it is capable of complete demonstration, that this cannot possibly be the case; but, on the contrary, that the existing depression, so far as it continues, is entirely owing to a real unfavourable balance; for if the balance were really favourable, an influx of gold would be the necessary consequence; whereas it is well known to have still a tendency to leave this country.

It must be almost superfluous to offer to prove that gold or silver, even under the present circumstances of the country, never can be exported with profit, in the face of a favourable real exchange, at whatever depression the computed exchange may be. The following data, however, may be stated, for shewing with what advantage this can be done.

The price of standard silver is at present 6s.  $1\frac{1}{2}$ d. the ounce, whereas the mint price is only 5s. 2d. To purchase it therefore with bank notes, the exporter must give a premium of  $11\frac{1}{2}$ d. per ounce, or  $18\frac{1}{2}$  per cent. When this is done, he has still to export it to the Continent; and let the risk and expence of this be only stated at  $4\frac{1}{2}$  per cent. this will make the total expence, when the silver is landed in the Continental port,—say at Hamburgh, 23 per cent.

But in place of purchasing and exporting gold or silver bullion at this expence, the exporter has only to go to the Exchange of London, and there, for payment of L. 100 in the same bank paper, he will receive a bill on Hamburgh for the very same quantity of silver, of equal fineness, deliverable to his order at Hamburgh, at two months from the date of the transaction, free of all expence. And is it possible to conceive that any man would hesitate for a moment which of these methods to prefer?

In like manner it might be shewn, that the foreign merchant will always prefer sending payment of his debt to this country in bullion, so long as the high price of bullion here makes it his interest to do so.

It is evident from this, that, with a favourable real exchange, an unfavourable computed exchange will nowise discourage the importation of specie.



For, so long as the debts due by the Continent in this country can be discharged in Bank of England notes, and that bullion bears a premium against these notes, it is clear that bullion may be transmitted with advantage; and it is equally indisputable that, by the competition of these remittances, the premium on bullion must speedily fall, and the computed as well as the real exchange become favourable to this country.

The case would be very different if the debts were payable in a debased metallic currency, in place of bank paper of undoubted credit. In the former case, the computed exchange would continue invariably against this country, until the coin should be reformed, according to what happened in the time of King William. But, even then, the low computed exchange did not prevent the influx of gold. On the contrary, it was stated, by the writers of that period, that the price of foreign gold had risen in proportion to the advance on guineas; "whereby much gold was run in upon us from beyond sea."

It is evident that the price of bullion must necessarily adjust itself to, and be regulated by, the premium on the bills of exchange. Accordingly, even now that the exchange is gradually improving, the price of bullion is progressively falling; but as the fall of the latter is the consequence of the rise of the former, it is not to be expected to keep pace with, but only to follow it. Thus it will be found, that while the exchange has risen about 16 per cent. within the last three months, the price of gold has fallen from L.4. 18s. to L.4. 14s. the ounce, being equal only to about 5 per cent. on the mint price; and silver has yet fallen very little.

It is beyond all doubt, however, that as the exchange shall continue to rise, the price of bullion will continue to fall; and on the former reaching its usual par, the latter will fall to its former price of L.4 the ounce for gold, and 5s. 2d. for silver.

With regard to the real causes of this great improvement in our foreign exchanges, no person who considers the subject with impartiality, can entertain the slightest doubt concerning them.

It is well known that, in the end of 1810, and beginning of 1811, a great relaxation had taken place in the demand for our manufactures. Numerous bankruptcies in consequence took place, and many thousands of weavers were thrown out of employment. It was after all this had happened that the great depression in our foreign exchanges took place; that the exchange with Hamburgh, for example, fell to 24, at which low rate it continued all last summer and autumn.

It is equally well known, that in the beginning of last winter the demand for our manufactures began again to revive. Every successive account from our manufacturing districts, for the last four or five months, has been more and more favourable, until at last, in some of the most important branches, our manufacturers are nearly fully employed.

If the fall in the exchange followed the stagnation of our manufactures in the first case, the improvement of the exchange has with equal regularity followed their revival in the second; and is it possible, with these facts before his eyes, for any man to doubt of the connexion betwixt the one and the other? After this, will any person believe that the great depression in the exchange was owing, not to an unfavourable real balance of payments, but merely to an excessive circulation of bank paper? If it is still alleged to have been owing



to this latter cause, let it be shewn that the paper circulation has been reduced during the time the exchange has been improving. This, however, the supporters of the Bullion Committee will find a difficult task to perform, as there cannot be a doubt that our paper circulation, in place of being narrowed, is extending, along with our reviving manufactures.

It may still be said, however, by the supporters of the new theory, that the rise even of 16 per cent. is not more than what may be accounted for by the difference betwixt an unfavourable and a favourable real exchange; and that the real exchange which, during all last year, was unfavourable, is now completely otherwise. But we are not surely obliged to take their bare words as proof of this fact. Let the turning of the real balance of payments be proved by its usual and unavoidable consequences, the influx of bullion. This, however, they will find a task as difficult as that of proving the reduction of our circulation.

If, then, these gentlemen fail in either establishing that the improvement in the exchange has been owing to the reduction of our circulation, or to the turning of the real balance of payments, it follows as a necessary consequence, that it must be owing to causes purely mercantile; and if the recovery of the exchange has been owing to such causes, it may be fairly concluded, that its previous depression must have been owing to causes of a similar nature.

That the real exchange, after all the improvement on it that has of late taken place, is still against this country, is a point that admits of the most complete proof, by the efflux of bullion: no one principle in political economy being better established than this, that no bullion can be ex-

ported from a country that is creditor in the balance of payments, to the country that is debtor in that balance.

If, then, the exchange has been raised 16 per cent. by the operation of causes purely mercantile, and yet is still unfavourable to this country, it follows that, under the present circumstances of this country, and of the Continent of Europe, it is capable of being depressed and raised by such causes to an extent greater than 16 per cent. And if so, the doctrine of the Bullion Report, by which its elevation or depression from mercantile causes are limited to 6 per cent. falls to the ground.

It is further proper to remark, that Lord Lauderdale, throughout his pamphlet, has affected to hold the opposers of the Bullion Committee as asserting that the temporary and casual rise which has taken place in the price of bullion proceeded from general and permanent causes. But this is not a just view of their argument. The better informed writers on that side of the question have contended for no such rise in the price of gold, nor any other permanent rise than the trifling one of 2s. 1½d. the ounce, which had taken place previously to the year 1808, and which may have arisen from a slight variation in the relative value of gold and silver. The great rise which has taken place since the year 1808, they justly consider as only of a temporary and accidental nature, and ascribe to the high premium which bills on the Continent then began to bear, owing chiefly to the demand for remittances to supply our increasing expenditure in the Peninsula, and to pay for large importations of corn, timber, and other continental produce; but which, as already stated, must necessarily cease, so soon as the premium on the

foreign bills is done away, and the par of the exchange restored.

I shall only further observe on this head, that the usual limitation of the fluctuation of the exchange for or against any country, to the expence of the transmission of bullion, varying from 3 to 6 per cent. applies only in cases where the transmission of specie is free, but is not applicable to cases where it is subjected to restraint. In the latter circumstances, it is admitted by all writers on political economy, that the depression may greatly exceed its usual limits. Indeed, it is evidently impossible to fix any limit to the premium on foreign bills, which, under particular exigencies, either of a public or private nature, may be given; and it is difficult to conceive such a premium to exist, without having the effect of increasing the demand for, and consequently raising for the time the price of gold and silver bullion; or, to use more correct language, giving rise to a temporary premium on these articles.

In truth, the substitution of bank paper, such as that of the Bank of England, in place of gold or silver coins, has a direct tendency to raise the computed exchange with foreign countries, instead of depressing it.

This was the opinion of Dr Adam Smith, who observes, (Book IV. Chap. III.) that "the computed exchange may be in favour of that country which pays in bank money, though the real exchange may be in favour of that country which pays in current money; for the same reason that the computed exchange may be in favour of that which pays in better money, or in money nearer to its own standard, though the real exchange should be in favour of that which pays in worse." And, again, after a long digression,

into which he says he had been led in endeavouring to explain the reasons why the exchange between the countries which pay in what is called bank money, and those which pay in common currency, should generally appear to be in favour of the former, and against the latter, he concludes, in assigning as the reason of it, that "the former pay in a species of money of which the intrinsic value is always the same, and exactly agreeable to the standard of their respective mints, whereas the latter is a species of money, of which the intrinsic value is continually varying, and is almost always more or less below the standard."

It must have been on this principle alone that the introduction of bank paper, in the year 1694 and 1695, had the effect of raising the computed exchange to within 3 per cent. of par, from a depression of 14 per cent. as noticed in the authorities quoted by Lord Lauderdale; and I think it not improbable, that the unprecedented height to which the exchange has occasionally arisen since the bank restriction, particularly during the years 1797 and 1798, may have been in some measure owing to the same cause; the substitution of bank paper virtually raising the par of the exchange.

And, on the same principle, the anomalous circumstance that gold could not be imported in 1796, and beginning of 1797, with an apparently favourable exchange of 34 and 35, by which the merchants and bankers were at the time so much puzzled, may perhaps be accounted for.

But while the substitution of bank paper has the direct effect of raising the computed exchange, it must be admitted that the extension of bank credits may lead to temporary difficulties, through the facilities thereby afforded to rash and hazardous spe-

ulation; and may possibly also have an indirect effect in depressing the real exchange, by increasing the consumption of, and consequently the demand for, foreign produce, though this is not quite clear.

With a free commerce, however, there is no reason to expect that, under the present system of the bank restriction, the real exchange will be otherwise than generally favourable to this country, seeing our funds for supporting it, consisting of the produce of our unrivalled manufactories, and the extensive produce of the East and West Indies, of which Britain is now the emporium, will always be equal, if not greatly superior, in exchangeable value to the European goods required for our national supply, even though our home production of corn should fall short of our consumption, in a proportion still greater than that which exists at present. In fact, in this increase of our consumption of corn, which has been progressively going on for the last 50 years, we may be considered in the light of a nation whose population is only following up its means of subsistence, seeing our colonial and other resources, while exchangeable for the necessities of life, are as much the means of subsistence as an increase of the productions of our own soil would be; and the greatest objection to it is the placing us, in some degree, in a state of dependence on foreign countries for articles essential to our existence; while, from the uncertainty of the supply, the price both of the imported and native produce, and consequently of labour, must be kept much higher than, in the ordinary course of things, it would otherwise be.

I am now quite satisfied, however, that the maintenance of this enhanced price of corn, and consequently of labour, does not necessarily produce an

efflux of specie or bullion; but that the efflux or influx of these is wholly dependent on the state of the real exchange, and subject to the influence of no other cause whatever.

To open the bank, before the real exchange is fully restored to par, would, as already observed, be just to encourage the same sort of trade in transmitting specie, and drawing for it by bills of exchange, as took place in Scotland, more or less, from the year 1761 to the year 1772; and it would force the bank of England either greatly to limit its credits, and of course to become so much less useful to the country, or to subject itself to the same kind of expence which the public banks in Scotland were subjected to, with great loss to themselves, but without the least advantage to the public, in the above mentioned period.

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I shall take my leave of this subject, with offering a few brief and general remarks respecting the causes of the high prices of corn, and the other necessities of life, which have taken place in this country of late years.

Without going back into an investigation of the causes of the progressive increase of our national consumption, which is perhaps the surest of all tests of an increasing national wealth, it may be taken for granted, that our consumption of corn first came fully to equal our production about the year 1760, previous to which period Britain had been an exporting country in the article of corn; and that since that period our consumption has been continually and regularly on the increase, with the exception of a few years, during the continuance of the American war, so as at last to leave our production far short of our necessary annual supply; and this increase in our consumption has been more

rapid during the course of the present war than in any former period.

Under these circumstances, there can be no reason to doubt that the true causes of the enhanced price of corn, and consequently of labour, and all other home made commodities, are,

1st, The existence of a real deficiency in our home supply of corn.

2dly, The possession of a superabundance of colonial and manufactured produce, or of real exchangeable wealth, even to the extent of an absolute commercial monopoly.

3dly, The interruptions that have been thrown in the way of our exchanging the latter for the former, partly by our own corn laws, but chiefly by the effects of the war, and the increased expence of freight and insurance, under the present system of carrying on the trade with neutral states.

These causes must have operated whether the bank had been paying in specie or not.

That the relieving of our paper circulation from the restraint of paying in specie, may have given somewhat of more scope to the progressive advance in the price of corn, may be admitted; but that it acted anywise as a direct cause of that advance, or presented any obstacle to the reduction of prices, when circumstances were otherwise favourable to it, I deny; and the following facts may be appealed to as affording incontrovertible evidence of the contrary.

1st, Previous to the bank restriction, on the first occasion of a great scarcity of corn being felt, in the year 1795, and the earlier part of 1796, the advance on the price of grain was as great in proportion to the pressure of the scarcity as it ever was at any period after the bank restriction had been adopted: the price of wheat having been then occasionally as high as 120s. the quarter.

*The consequence of all which has been to raise our colonial & manufactured produce to a monopoly price against the Continent on the one hand, and to raise corn to a monopoly price against ourselves on the other.*

2d, The price of corn was gradually falling at the time the restriction took place; and so far was the restriction from having any effect in preventing the fall, that prices continued progressively to decline for nearly the whole of the two first years after the restriction was adopted, until they were again affected by the unfavourable season in 1799.

Lastly, After the pressure of the scarcity of 1799 and 1800 ceased to be felt, the prices of grain, and of all the other necessities of life, in spite of the restriction, gradually fell to their usual level in the years 1802 and 1803, and continued so until they were once more affected by the deficient harvest of 1804; after which, they were effectually prevented from ever again reaching their former level, by the alteration which then took place in our corn importation laws; and they have since been kept up considerably above even the new importation prices, partly by the frequent recurrence of deficient crops, but still more by the increasing difficulties thrown in the way of importation, the result chiefly of the unprecedented system of warfare adopted by the ruler of France.

It may be said, that, had it not been for the restriction, the occasional depressions of the exchange, resulting from our increased importation, would have had the effect, by producing a demand for specie, of forcing the banks to restrict their paper circulation; and would thus have operated, through the scarcity of circulating medium, as a check on the rise of prices.

But so long as we were possessed of the means of purchasing corn at the enhanced price, by the exchange of our superabundant colonial and manufactured produce, it is not easy to conceive that the mere want of a medium of exchange could have at all affected their relative values. The greater

part of the wholesale transactions are carried on by means of bills; and as to the detailed circulation, the probability is, that if the bank restriction had not been adopted by the public, other means of supplying the circulation would have been resorted to by the merchants and bankers, for answering the same end, neither so safe nor so creditable as those adopted.

One obvious effect of the restriction act must have been to alleviate the pressure of the scarcity to a greater extent than could have been done without it, by admitting of the exportation of a large proportion of our specie in exchange for corn. And this may always be looked forward to as a resource under similar circumstances, while the present system is continued. In times of moderate plenty, with a favourable exchange, an accumulation of gold and silver bullion must necessarily take place in this country, which, on the return of seasons of dearth, may increase and vary our means of supplying the national wants, to a much greater extent than would be practicable if the obligation to pay in specie were in force.

A fourth cause of the enhanced price of corn, for the last three years, has been the premium on foreign bills of exchange, which must necessarily have been added to the price of the foreign corn, before it could be sold with advantage in this country. So long as we must import, it is clear that the price of the imported corn must necessarily regulate that of our home produce. This depression of the exchange, therefore, operates as an enhancement of the money price of our own as well as of the foreign corn. This, while it subsists, is the only plausible ground for inferring a depreciation of our currency. But it can evidently be traced to particular and temporary causes, altogether unconnected with any excess in our paper circulation;

namely, the interruption to our export trade, and the prohibitions against the introduction of our goods into the Continental markets.

The extent to which this cause has hitherto operated in enhancing prices, can easily be ascertained.

During the great scarcities of 1800 and 1801, the exchange was seldom above 6 or 8 per cent. against this country; and of course, during these years, the price of corn and subsistence could not be affected by this cause to any greater extent. In the years 1804 and 1805, when prices again rose to an extravagant height, the exchange continued invariably favourable to this country, and so could have contributed in no degree to the enhancement of prices which took place in these years; and it continued in the same state till the year 1808. Since that time it has been occasionally as low as 30 per cent. and is at present at 14 per cent. against this country; and to this extent the enhancement of prices at present may be attributed to that cause.

But let these temporary additions to the prices of corn be compared with the actual increase of prices which has taken place since the year 1794, and it will be found that they compose, even at present, but a very trifling part of it.

In 1800 and 1801, the prices of corn were occasionally 200 per cent. above the then importation prices. In 1805, 6, 7, and 1808, before the exchange fell, they were on the average about 100 per cent. above the old importation prices, and from 40 to 50 per cent. above the new importation prices adopted in November 1804, and at present they are nearly 120 per cent. above the importation prices of 1804; and of this enhancement, the depression of the exchange, or depreciation of our currency, as it may be called, operates only to the extent of 14 per cent.



It is clear, therefore, that this cause has operated to the enhancement of prices only on particular exigencies, and even then only in a comparatively very slight degree.

A fifth cause of this increase in the money prices of corn and other necessities, may perhaps be found to a certain extent in the greater real plenty of the precious metals, particularly silver, whether arising from improvements in the mode of working the mines, by which silver may be raised at less expence, the more general diffusion and dispersion of the Spanish treasures, or, finally, the cessation or diminution of the demand for silver in China.

I see no reason to conclude, however, that this cause, which, if it operated at all, must have operated generally over the commercial world, has had much influence in that enhancement of prices which has taken place in this country of late years; and which, in my opinion, has been in a great measure peculiar to this country, and is to be chiefly ascribed to the three first of the causes before pointed out.

The effect of this enhancement of prices, by reducing the value of money, has been to operate as a most severe tax on the monied interest, national creditors, and annuitants, directly in favour of the landed and agricultural interests, and indirectly in favour of the public revenue; the result of which has been such as nearly to supersede the necessity of laying on any particular taxes for several years past.

The evil, therefore, of our present system, if it were a voluntary system on our part, to which blame could be attached, as it certainly is not, consists in the injustice which we have been led to commit to the particular classes of sufferers above

alluded to. Its benefits to the industrious classes, and to the financial resources of the country, are so obvious that it is unnecessary to point them out.

Its danger seems to lie in this, that as the causes by which it has been produced are partly of a temporary nature, so a return of prices to their former level, or nearly to that level, may some day or other be reasonably expected. The longer, however, these shall have been continued at the enhanced rate, not only the greater must be the shock to our agriculture, and to the public and private credit of the country, on a great and sudden diminution of the nominal amount of the gross rent of all the land, or the principal part of the gross revenue of the kingdom;—but under the continuance of the high prices, the wages of labour, and remunerations and salaries of all kinds, will be found to have been raised in nearly the same proportion with the prices of corn; and thus an additional expence may be entailed on the nation, which it may not be an easy matter to correct, after the return of moderate prices shall have ceased to warrant it.

These views of our present circumstances will, no doubt, be fully under the consideration of his Majesty's ministers, who, regarding only the general interest of the community, will doubtless adopt every measure in their power that may have a tendency to counteract those causes, by which the prices of corn have of late years been influenced, by giving facility to the importation of foreign corn on the one hand, and diminishing our internal consumption on the other; for, with regard to our home production, the high prices of themselves operate as an abundantly high premium, and afford sufficient encouragement to it.

To conclude, in all discussions of this kind, no error is more common than that of mistaking the



effect for the cause. In the present case, the enhanced prices of corn, by raising the price of labour and all other commodities, necessarily called into action an increased quantity of circulating medium. This was clearly the order in which matters proceeded; but our modern economists, some of whom are perhaps too young to remember the situation of the country for a few years before, and at the time of the bank restriction, have wisely discovered, that the increased prices of corn, and of course of other home commodities, is not so much the effect of any real deficiencies of that necessary article, as of the excessive quantity of the medium by which it is circulated, and by means of which the relative values of corn and other commodities are compared with each other. To this, if it deserved any answer, it might be sufficient to state, that if it were true, the same cause must have operated equally on the prices of all commodities: of course, the price of corn would still have borne the same proportion to the price of colonial and manufactured produce which it did before. But it is well known that this is not the case, the prices of the latter having remained stationary, while that of the former has been more than doubled within the last 15 years, excepting in so far as immediately affected, in the case of home manufactures, by the increased prices of provisions and labour.

Much has been said, by the Earl of Lauderdale and others, both in and out of Parliament, of the great profits made by the proprietors of Bank of England stock since the year 1797. But were the gentlemen who make these allegations to consider the subject with fairness and impartiality, they would find that the rise on the profits of bank stock, when compared with those on the profits of capital actively employed on agriculture or manufactures, with-

in the same period, will be found to fall short of either.

In and prior to 1797, the return from bank stock was 7 per cent. on the capital. It is now 10 per cent. exclusive of the property-tax paid; though the average dividend from 1797 to 1812, including the incidental *bonuses*, will rather fall short of than exceed that rate. This is equal to an increase of about one-half since the year 1788, when the dividend was raised from 6 to 7 per cent; and the rise on the stock itself will be found to be in about the same proportion.

Now, if there is any one great branch of our internal industry, in which the profits have not risen in at least as great a proportion, let it be pointed out. I am not aware that there is one in which, though they may be depressed at the present moment, the average returns of profit have not borne a greater rise, in proportion to what they afforded previous to the 1797, than that which has taken place on bank stock. On the rent and price of land, in particular, the rise has been infinitely greater. The rent of land, within the last fifteen years, at least in Scotland, has, on an average, been doubled, or very nearly so, in every case where the leases are expired, and has trebled in value since the year 1788; so that, while a person, who had invested his capital in bank stock, could now sell out with a profit of about 50 per cent. one who had made a similar investment in land could sell it with a profit of 100 per cent. or much more.

On what principle of justice or common sense, then, can it be proposed to seize a part of the fair profits of an establishment which has contributed, perhaps more than any other, to the prosperity, and even safety, of the country; and to leave the still greater profits on capital otherwise employed un-

touched? How would the landholders relish a proposition, having for its object to appropriate to the public service the whole increase that has taken place in their rent-rolls since the year 1797?

It would not be to the purpose to compare the dividends on the bank stock with those on the government securities, or the returns from money lent at interest. The capital invested in either of these ways have a regular and fixed return of profit guaranteed to the holders, which can neither be increased nor diminished; whereas the capital employed in banking has no such guarantee; the proprietors must take their chance of profit, and be subject to the risk of loss, in the same manner as they would be if engaged in any other mercantile concern; and they are surely as much, as in any other undertaking in which their capital is put to the hazard of being lost or encroached upon, entitled to be compensated for that risk, as well as for the time and attention bestowed, through their directors and managers, in the conduct of the business.