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A

LETTER

FROM A

NEW MEMBER OF THE HOUSE OF COMMONS,

TO THE

RIGHT HON. GEORGE CANNING,

ON

THE PROBABLE SAFETY

IN

RESUMING CASH PAYMENTS.

LONDON:

JOHN MURRAY, ALBEMARLE-STREET.

1819.

A LETTER,*&c. &c.*

*London, February 4, 1819.***DEAR SIR,**

AFTER the debate on the night of the 2d. instant, on the appointment of the Committee to "inquire into the state of the Bank of England, with reference to the expediency of resuming cash payments at the time now fixed by law," I returned home so little instructed on the general bearings of that great question, that I determined, in preference to delivering my sentiments at length upon so dry a subject in the House, to address them to you in the form of a letter.

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I am not ambitious of the character of a pamphlet-writer, if it were possible to obtain a character with the Public by writing on a subject which so few understand, and still less few choose to understand; yet, having some notions upon it, I flatter myself they will not prove unacceptable to you; but if they should not serve to throw any new light on the subject, either in your view of them, or in that of the other members of the chosen Committee, (if you should think fit to communicate those notions to them), I shall trust to your good disposition to excuse my presumption, and impute my humble effort to a desire to afford information on so interesting and momentous a question. This being my first attempt to communicate my opinion in print upon a public subject, I must also claim your indulgence for any want of arrangement that you may discover in my reasonings.

The two leading questions, each of which

will give rise to many minor ones in the consideration of this large subject, are

First, Is the Bank prepared, with reference to the amount of its own paper issues, to declare that its notes shall be, at the time fixed for the termination of the restriction, convertible into metal, at the option of the holders?

Secondly, If the foregoing question be answered affirmatively, will it be safe, with reference to the means of preparation by the Bank, to the aggregate amount of all notes under five pounds circulating in the empire—the aggregate amount of all bank-paper circulating in the empire—the present price of bullion—and the present state of the foreign exchanges—with reference also to the probable present balance of payment due upon all past transactions either by or to Great Britain with the rest of the world—and with reference to what the probable balance of payments may be on future transactions—

to remove the restrictions which now exist upon the payments in cash, of the Bank of England notes?

The first question will, in my mind, be very soon, and very easily, answered. The Bank Directors and the Chancellor of the Exchequer have made the most grave and solemn declaration, that they are amply provided with the means of meeting their engagements to the Public, and I am disposed to believe them implicitly—when they make so full a declaration, I ask myself, what may then be the probable amount of their preparations? and when I consider that in six months after the first restriction took place, namely, in October, 1797, it appears by the Report of a then Committee of the House of Commons, that the Bank had five times the amount of cash in bullion in their coffers that they had, when the Order in Council of February 1797 was issued, *viz.*, about £6,400,000. (Although the Bank never disclosed to the

Public the amount of cash in their coffers at any time, they gave in a statement, in cabalistic numbers, of the proportion which their stock of cash, at various periods, had to a certain mean number, which, combined with other details of their statement, made it no difficult task by an algebraical process, to find out that the amount of cash in their chest in February, 1797, was about £1,272,000 *. And when I consider the means which the Bank have had, and no doubt exercised, from twenty-two years' profits by the restriction, to increase that supply, I am led to estimate that even after allowing for the five millions † of specie issued since January, 1816, they must now have from twelve to fourteen

* In 1782, it had been still lower, only about £472,000.

† When the Bank paid out so much specie, it was of course for an equal amount of paper, which, if cancelled would have reduced their issues by so much; but when I perceive that instead of being lessened, their issues have increased, I must presume that they have replaced that specie by the purchase of as much bullion, which they have given their notes in payment for.

millions of cash and bullion in their chest. The present amount of their notes under five pounds in circulation, is seven millions and a half; and supposing, upon the estimate I shall hereafter refer to, that the total amount of all other country bank-paper in Great Britain, under five pounds, is about eight millions, it would appear that the Bank of England has not only cash enough to substitute for all its own small notes, but for within a few millions of the whole amount of all the small notes circulating in the empire.—Please to observe that in the whole of my consideration of the question and estimates, I keep Ireland altogether out of view; because I suppose that the Bank of Ireland is proportionably provided, with relation to the circulating medium of that country; and my reasonings and calculations will be better understood, as made applicable to Great Britain only.

I imagine it will be granted, that if the

restrictions were taken off, and if there was a certainty of the metals not leaving the country, specie would be required for internal circulation only to the amount of the small notes now outstanding, supposing the habits and prejudices of the nation to be what they were before 1797; but, in my opinion, the confidence generally of the country is so great in bank paper, a confidence which would be greatly increased by the circumstance of Parliament deliberately pronouncing (whenever they should so declare it), that the resumption of cash payments may, with safety, take place; and the people are so habituated to paper, as an easy portable representative of value, (for, indeed, a great proportion of the present generation have never seen a specie circulation), that it would be found that the Bank would be called on for sovereigns, or guineas, only to answer as counters for some old ladies, and that paper would circulate all through the country, to

the same extent it ever has done. Therefore, Sir, supposing it to be determined, that there is no reasonable probability of the metals (beyond a small portion which may at first go out,) leaving the country, there is no doubt that the Bank is prepared, not only with reference to its own amount of notes in circulation, but even to the total amount of the bank paper of Great Britain, to meet their engagements to the Public to pay in cash.

It is true, that, according to Mr. Whitmore's evidence, for the three years previous to 1797, there were about twenty-seven millions of specie in circulation in the country; at which time, neither the Bank of England, nor country banks, could issue notes under five pounds; but, as I take for granted, that with a view of protecting the Public from any inconvenience by the possible contraction of the circulating medium, both the National Bank and country banks will, for

a certain time after the restriction ceases, be allowed to issue notes under five pounds, I think a danger to be apprehended from the measure, when it is permitted to take place, may be, not that there will not be circulating medium enough, but that there may be a mischievous superabundance of it*. Observe, that this reasoning is founded on the presumption that the specie remains at home. The probability of such a thing I shall hereafter argue; but, taking for granted, that the specie would not leave the country, and that all the banks would be allowed the privilege of issuing small notes, I am quite sure, the effect of such a state of things would be, in a short time after cash payments took place, to make money abundantly plentiful; therefore, the main question for the consideration of the Committee

* It was a suggestion of the Bullion Committee, which, I think, deserves attention, that, for a limited time, after the restrictions should die, the country banks should not be *compellable* to pay in any other than Bank of England notes.

now appointed by the House of Commons, composed of such characters, as promise, by whatever opinion they agree on, to ensure the confidence and acquiescence of the country, will be, Whether, if the restriction shall cease at the time now fixed by law, the specie so to be issued is likely to remain in or leave the country?

To sift this question, (and it is the most intricate and extensive question that ever was submitted to any set of men,) what are the causes which may take the specie out of the country? I know of none, but of two leading causes, namely, the wants of foreign governments to increase the amount of their own metallic currencies, and the balance of payments which this country may have to make, as against all the rest of the world with which it has intercourse, no matter from what cause arising. That balance of payments can be made up only from an account consisting, on the one side, of the amount charged against this country for its im-

ports*; the amount of foreign capital withdrawn from this country,—the amount of British capital invested in foreign funds,—and whatever is spent by our countrymen abroad. On the other side is to be placed the amount which those countries to which we export, have to pay us for the goods so exported,—the interest annually to be received for British capital invested in foreign funds,—and British capital withdrawn from foreign funds. Though I am aware that no two countries in commercial intercourse ever stop short, at any particular moment, to balance their account; yet, if at any particular time, the causes which I annex to

* The custom-house returns of the values of imports and exports lead to a very imperfect conclusion, because, by far the greater proportion of our exports are shipped on British account; and it is not, therefore, their value in Great Britain, at the time of shipment, that is to be charged against the country to which they are sent, but whatever they may sell for there. In like manner, so much of the imports as come here to be sold for foreign account, are to be credited to the country from whence they come, not what their value is on importation, but what their net proceeds may be.

the debit and credit side of the above account should preponderate, they will naturally influence the course of exchange by the pressure that there will be to negotiate bills on whichever country the preponderance is against, or to procure bills as remittances for whichever country the preponderance is in favour of: for bills of exchange being always the more transferable representative of value, will be what in the first instance fluctuate. Bullion, to which all exchanges refer, is subsequently influenced, and the more active and the more extensive the intercourse is between countries, the more frequent, and the greater will those fluctuations be; but commerce being built on reciprocity, and though circumstances peculiar to the situation of one country may give it an advantage, or a disadvantage, at particular times, in its commercial relations with another; yet, as the transactions are paid for by bills, (which, in point of fact, is upon a certain credit;) and as, from the elasticity of com-

merce, it is found from experience, that a re-action takes place sooner or later, and the relations of those countries quoad values of the commodities interchanged, are restored, I should think there cannot be a permanent balance due to or by any country on its commercial account with another, neither country possessing a superabundance of metals for its own purposes of circulation; and, I believe it will be found, that the great increase of specie which flowed into this country about the middle of the last century, is attributable to the increased production of the mines of America and Africa; and, that the superior industry and commerce of Great Britain was enabled to secure the largest proportion of that increased production that found its way to Europe. Holding the opinion which I do, that commerce is a thing which, sooner or later, regulates itself so as to make the amount of the interchange of commodities of one country with another, sooner or later

equivalent, I should, myself, have no apprehension, that all Europe could take from us, for any length of time, any considerable portion of our metallic currency, provided the governments of these countries had a sufficiency of circulating medium for each other.

Now, Sir, let us consider the situation of the different governments of Europe as to this point,—a sufficiency of circulating medium. Their medium is composed partly of paper, and partly metal. France is universally admitted to possess quite enough*, and though the genius of that people is averse to any thing like a paper currency, yet the growing tranquillity and security of the country, its increasing internal traffic, the large amount of government expenditure, and the future effects of its recent increase of funded debt (in diffusing a general interest

* There is not a house of entertainment in France, even of the lowest order, that does not shew its silver forks and silver dishes.

in supporting the existing order of things,) will naturally engender confidence, and stimulate circulation. Bills of exchange, and checks on banks, will, for convenience, be given and accepted in all their multifarious transactions; and it is yet to be seen if they will not glide into the adoption of paper currency (of course, mixed with metal,) of much greater extent than they now have; for, observe, that the Bank of France issue paper to a tolerably large amount, which answers the purpose for all large payments; they have had branches of their establishment in various parts of France, which have not been found to answer; and if they should draw them in entirely, no doubt some private establishments will start up in their place.

I mention these circumstances to shew that France is not likely to want any increase of circulating medium; but, on the contrary, being the richest country in Europe in metals, it is likely to be able to spare a large portion of its present stock in time to come.

As for Spain, I put her out of the question altogether; for whatever government papers she may have outstanding, her credit is so bad that it is not likely she will be able to raise money to discharge it. Indeed, I am not aware that any countries in Europe are anxious to procure an increase of metal for circulating medium, but Austria, Prussia, and Russia. The proportion of the contributions which Prussia has received, under the treaty of Paris of 1815, together with the loan of five millions sterling, negotiated for her last year in London (and which is all paid up,) is, I understand, quite sufficient to answer all the necessities of that state; and it yet remains to be seen whether the government of that country, as well as others similarly circumstanced, when its credit is restored, or, in other words, when the government paper passes with equal value as specie, will not avail of its improved credit to issue paper to serve as a circulating medium, if the trade of the country should require it. It is also understood, that the

proportion of those contributions that Austria has received, and is to receive, together with the loan which she negotiated in the last year for fifty-eight millions of florins, will serve to extinguish her paper which has been at a discount. And then Russia will be the only power seeking to increase its metallic currency, for the purpose of substituting it in the place of its paper. The loan which it made at the beginning of last year, or the end of 1817, was subscribed to only to the amount of thirty-eight million rubles,—the projet held out, that the whole of this loan was intended to take up an equal amount of the state paper; the terms were attractive; if I mistake not, they gave an inscription to the amount of a hundred rubles for the actual payment of eighty-two and a half, bearing six per cent., per annum, interest. In the summer of 1818, they declared the books to be opened for a second subscription to a loan for a similar purpose, offering a similar inscription at a

similar rate of interest for eighty-five rubles ; the books were to be closed the 31st of December last, and we just now learn that the total amount subscribed was 65,000,000 rubles, equal to about £3,250,000 sterling.

I mention these details, to show how limited the wants of these three governments of Austria, Russia, and Prussia, have been*. These several loans are already paid up, so that their operation cannot be said to influence hereafter the monetary system of Europe. I allude now, to the effect of those loans only, as well as of the payment of the four hundred and twenty millions paid by France to the Allies up to November 1818 ; for it remains yet to see what influence the payment to those powers of their respective proportions of the residue of the French contributions, (two hundred and sixty-five millions of francs,) may

* The greater part of the Russian and Austrian loans were subscribed to by parties who held the Government paper and funded it—as we would at home here, fund Navy, Victualling, and Exchequer Bills.

have on that monetary system ; and, I think Sir, you will agree with me, that if my information, which you will have an opportunity of comparing with that to be derived from others, be correct, there is not any serious danger to be apprehended of those governments, whose system it has been hitherto, to provide an increased supply of metals, taking away any considerable portion of ours out of this country whenever it should re-appear.

A great deal has been said from time to time, of the vast increase of the circulating medium of this country, by the inordinate issues, as they were called, of the Bank of England, and of country banks, since the year 1797 ; but it cannot fail to strike and surprise any one, that, notwithstanding the augmented receipts and payments from the Exchequer, the augmented price of every article in this country*, its augmented trade,

* The accepted meaning of circulating medium is that which passes from one person to another, in making payments, and which must be circulated in order to obtain income from it.

what little difference there is between the present amount of the active circulating medium of the country, and that which existed in 1797.

Mr. Rose, if I mistake not, calculated, at one time, that about the year 1793, there were from thirty-five to forty millions of specie in the country; but the latest estimate I have read of, was that by Mr. Whitmore, Director of the Bank, in his evidence before the Committee on the Restriction, who said, that for the three years preceding, he did not think there was more than twenty-seven millions specie in the country. At this time the Bank had about eleven millions of notes outstanding, and there were then about three hundred private banks, which I compute had about nine millions more, making a total of forty-seven millions, the whole of the circulating medium of Great Britain for the three years preceding 1797. Now, compare that with the present amount of the circulating medium of the country;

and when I speak of the circulating medium, I repeat, that I confine myself only to that which is active, solely to Bank paper; and I am very much mistaken, if, at this moment the total amount of Bank paper in Great Britain exceeds by much, if at all, that same sum of forty-seven millions. I suppose the circulation of the Bank of England at this moment is about twenty-six millions, and that the eight hundred country banks have an outstanding issue of above twenty-five thousand pounds each*, which would make a total of only forty-six millions; but, supposing that it is thirty thousand pounds each, that would make a total of only fifty-one millions, which would be only four millions more than previous to the Bank Restriction; but I take for granted there are a few millions of gold yet in the country, which will make their appearance whenever the Bank resume cash payments. Now, naturally

* I have before estimated the amount of country bank paper, under five pounds, at about eight millions, which is a little more than the Bank of England, in proportion to its aggregate issues.

it will be asked, How happens this, after such an increase of values, and of trade, requiring of course, an increase of circulating medium? But that arises from the adopted practice of making all ready-money payments in checks on the banks; and when I mention the extraordinary fact stated by the Superintendent of the Clearing-House in Lombard-street, to the Bullion Committee in 1810, that, by interchanging checks, the vast daily transactions of London, amounting to several millions, are settled by the aid of only two hundred thousand pounds of bank notes, the average balances of their checks, it will be easily comprehended how such a practice dispenses with the necessity of a large circulating medium; and is it not probable that all other countries in Europe will in time adopt similar habits?

Let me now take a view of what the probable present balance of payments may be against this country, from all the combined causes which may produce it, and afterwards

of the future probable balance either for or against it. I apprehend the present price of bullion will be taken as presumptive evidence that the balance is at present against us, and let me consider how that has arisen. Looking back, and finding that in 1816 and 1817, the exchanges were all in favour of this country, silver under the mint price, and gold only a trifle over it—that from January, 1817, to the following July, gold ruled from three pounds eighteen shillings and sixpence to three pounds nineteen shillings per oz., I account to myself for it thus: that immediately on the opening of the peace, the merchants and manufacturers of this country drenched the continent of Europe with their goods and manufactures, and having nothing at that time to counteract the effect of so large an export upon the exchange in any material degree, but the extra expenditure of our Army of Occupation, and travellers going abroad, the price of gold and exchanges

remained about par, until the summer of 1817, when, although the Bank had made a partial beginning of paying cash, the price of gold rose to four pounds, and has remained ever since between that and four pounds three shillings, its present price.

Now, Sir, it may be asked, why did gold advance at that time, in the face of the earnest which the Bank of England gave the Public of its sincere intentions to pay in specie? And I think I can answer it thus; that foreigners, generally, had not a perfect confidence in the stability of the peace of Europe, until they saw that the leading capitalists of all Europe, with the concurrence of their respective governments, came forward to lend the French government their wants of that year, amounting to three hundred millions of francs, (twelve million five hundred thousand pounds); from that moment, those foreigners who had property in our funds during the war for security, and which property, by the

returns of what was exempted from the property tax, amounted to about twenty millions, began to consider if they could not improve their income and their property very much, by transferring it from ours into foreign funds; and when they saw our funds rise from 64, in January, 1817, to 84 in July, 1817, there was no withstanding the temptation; and I have no doubt that then and since then, almost the entire of that foreign capital has been removed from this country. In addition, has been the British capital transferred, from similar inducements, into the French and other funds; and it is only wonderful that such transfers of property have not operated to a more considerable degree, upon the exchanges, and the price of bullion in London.

It is true, that the different financial operations of the several governments have tended to disturb, in a degree, the monetary system of Europe, by the different loans con-

tracted; and by the payment of part of the contributions of seven hundred millions of francs, guaranteed to the Allied Powers by France, three instalments of which, amounting to four hundred and twenty millions of francs, were paid up to November, 1818: but yet there was no sensible disarrangement of the general machine, until the Bank at Paris, in October last, feeling a little drain of specie from its coffers, (which was perfectly natural at the time,) and which, in order to blind the people, was said to be going to Russia, to subscribe to the loan there, not only all of a sudden limited the period of discounts to sixty days, from ninety, which was the accustomed limit, but afterwards to forty-five days; and, to aggravate the distress and inconvenience to the monied interest of Paris, by that sudden step, they called upon the parties, who had deposited the omnium of the then pending loan, to redeem the advances made on it;

and if it were not for the aid which the Treasury gave to individuals at that period, there would have ensued from that step a far more extensive mischief; as it was, the effect of it was, not only to throw the French funds from eighty down to sixty, but to produce a thrill of alarm all through Europe, and to suspend confidence and circulation in every principal town and city.

In a few days after, to prove how quickly the circulation of money is restored, the Bank of Paris, unaccustomed to the effects of such large money transactions, found themselves in a condition to resume discounting at ninety days; and ever since then their funds have improved up to seventy, and there is not the least complaint of want of money in France*.

* I apprehend the famous protocol of the Congress at Vienna, on the subject of extending the periods for paying up the instalments of Mr. Baring's loan, changed the opinions of many, as to the prospects and practicability of resuming cash payments here; but, I think, subsequent

It is seen very clearly that the Bank need not have taken such a step. It produced an alarm, which communicated to all the capitals of Europe successively ; but it served an excellent purpose to those concerned in the loan for the two hundred and sixty-five millions of francs, by gaining the consent of the Ministers of the Allies to extend the payments of the instalments from nine months, as agreed upon, first to twelve, and afterwards to eighteen months ; and to reduce the loan from two hundred and sixty-five to one hundred and sixty-five millions. I do not mean to say, that it was not proper to have granted that extension, and to have made a new arrangement ; on the contrary, I think it was politic and prudent. But, notwithstanding what is set forth in the famous protocol, signed at Vienna, upon that subject, the loan for two hundred and sixty-five

events shew, that this paper gave the occurrences in Paris a character of greater importance than they merited.

millions would have been easily effected within the nine months, if the Bank of France had not, in that critical moment, taken such an extraordinary step. I mention all these circumstances in detail, as leading to the conclusion, whether, if cash payments were resumed at the period now fixed by law, any danger would be apprehended to our currency, from the effect of the pending loans in Europe. Please to recollect, the first French loan, made in 1817, was for near three hundred millions of francs, about twelve millions five hundred thousand pounds sterling. Last year, the loan was for the service of that year about two hundred and twenty millions of francs, or about nine millions sterling, *the whole of which is paid up*. Prussia raised a loan of this country of five millions sterling. Russia raised two loans, amounting in the whole to about five millions sterling ; and Austria to about five millions.

The whole of these loans are now completed, and notwithstanding their great amount in the aggregate, no person could say that they produced any serious disarrangement of the monetary system of Europe until the period of the Bank of France taking alarm. Since then, affairs have righted themselves on the continent, and the only loan now pending in Europe, that we know of, is the loan made with France, to pay the balance of the seven millions of contributions. That loan is for one hundred and sixty-five millions of francs, equal to about seven millions and a half sterling, contracted for by Messrs. Baring and La Bouchere, payable in eighteen months, the first payment of which commenced last January; so that by July next, the period fixed by law for the termination of the Bank Restriction, there will be of that loan unpaid about five millions sterling; and of that sum, be it observed, a proportion of our fifty-eight millions of francs, or near two

millions five hundred thousand pounds will be to be paid to Great Britain. Of course, you are aware that, though Mr. Baring is the nominal contractor of that loan, it is not all British capital that will be engaged in it; I have reason to believe, that he and his British connexions have only about one-third of it, the remainder is subscribed to by the several capitalists in Amsterdam, Frankfort, Hamburgh, Paris, &c.

If these premises be correct, it will be a very easy matter to estimate the probable effect of pending loans, (for, after this year, no government in Europe, that I am aware of*, will have occasion to borrow money),

* By the French Budget of 1818, its total wants for that year were	- - - F.1098,000,000
(Deducting what is included in that)	
One year's War Contribution	- - - 140,000,000
Ditto Expense of the Army of Occupation	- - - 150,000,000
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	290,000,000
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Carried over	808,000,000

upon our currency; and the only circumstances in addition that can influence it, by influencing the exchange and the price of bullion, will be, the future transfer of British capital into foreign securities, and the settlement of any balance of payment which may be against this country on all its past transactions. It is more than any individual

	Brought forward F.808,000,000
Adding thereto the Interest of Mr. Baring's	
Loan, about	12,000,000
The Inscriptions to liquidate British Private Claims	3,000,000
All other Foreign Claims	16,000,000
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Total of its Wants for 1819, even if the French Government make no further reduction of its Establishments and Civil List	839,000,000
Its total Receipts from Revenue for the Year 1818, were	878,000,000

And when it is known what difference a good harvest and a good vintage make to the Revenue there, there is every reason to suppose that France, even without new taxes, will be able to go on, to pay the one hundred millions remaining due to the Allies, in 27 months, without a loan, and to maintain a large Sinking Fund.

whatever is competent to know, what may be the actual balance of payments now against the country; but I think it possible, that some guess may be made at it, by learning the probable average amount of foreign bills negotiated in the several large capitals of Europe upon London, upon each exchange day, for suppose sixty days, and the probable average amount of the bills negotiated in London upon those same capitals, in the same period, and the average time at which those bills are drawn. In no case do they exceed ninety days, and never less than three days' sight*. I know no other way by which any estimate (and the best estimate must be very incorrect) can be formed of what the balance of payments against this country may be at the present moment. But when I consider the different causes that have taken so much property

* I should think there can scarcely be such a thing as a large book debt on the foreign accounts.

from this country, and the immense importations of corn within the last two years, exceeding, as I understand, the largest quantity ever before imported in any years of scarcity into Great Britain*, my surprise is, that the exchanges are not more against the country; and my confidence is made the greater, that the mechanical genius, the industry, the capital, the enterprise, and the spirit of the British people, will not only overcome the effect of the past drains from this country, but will soon reinstate the exchanges in their natural permanent position. I have not the smallest doubt whatever, that the announcement of an intention to resume cash payments, if the Bank were to serve notice on the Speaker of the House of Commons to-morrow, that they meant in

* At the moment I write, I do not know the precise quantity, though the Return has been long since called for by the House; but, I am told, it is little short of three millions of quarters of all kinds, in this year.

five days afterwards, to pay cash for all their notes if applied to, would, on the next exchange day, restore the exchanges of Europe to par; but, whether they would remain so permanently, or not, is the question, and is to be judged of from all the circumstances connected with the great subject*.

It is of essential consequence, that the Public shall be impressed with the conviction that the bank notes shall be, at some time, convertible into metal; the the honour and the good faith of the country are committed to it; and Mr. Pitt's political account, as well as those of his successors treading in his steps, notwithstanding the glorious peace that they have achieved, and notwithstanding the station which Great Britain now holds in the world, will never

* I have not at all alluded to the present situation of the United States; for I believe they have metals enough, if they do not overtrade to China; and that the late confusion in their monetary System is attributable to internal political circumstances.

be settled with the Public, and a quietus given, until the announcement shall be made, that the notes of the Governor and Company of the Bank of England, which have reared up the most extraordinary stupendous amount of property of any country in the world, are convertible, at the will and option of the holder, into metal. Whether that takes place next July, or next January, or the July following, is of little consequence, so that it is to take place; but it is a point for consideration by those to whom the subject is now committed, whether the opening the coffers of the Bank, which would be throwing in an accession of twelve or fourteen millions sterling to the aggregate fund of metallic currency of Europe, would not give such a relief to those countries, (inasmuch as they would look upon it as a circulating medium common to them); and thereby give such a stimulus to their trade, and impart such a benefit to their govern-

ment funds, as would soon re-act, and communicate a benefit, in a corresponding degree, to the trade and industry of this country.

As for the Bank of England increasing their stock of cash, it is not to be done yet. We draw no supply from the mines equal to the consumption of gold and silver for domestic uses, and no country in Europe is yet prepared to spare any surplus of its circulating medium; besides, how are the Bank to pay for it? It can only be by their own notes, and we know very well that if those notes were to get out permanently, they would have the effect of an over-issue; and, consequently, by the many effects produced by an over issue of paper, influence the exchanges against us.

This last observation of mine leads me to say a little in conclusion upon the principle which has hitherto regulated the issues of Bank of England paper, and the principle upon which, I think,

during the restriction, those issues should be regulated ; and, with this part of the subject, I must necessarily connect the system of finance, hitherto pursued by the Chancellor of the Exchequer. If the Bank of England were not restricted from paying in cash, there could be no possible objection but that of a constitutional one, which suggested the act of William and Mary, against the Bank lending their money to Government as well as to individuals ; but, while they are protected from a faithful payment of their engagements by the law, and while, under that protection, they fabricate money at will, they should issue only as many notes as were required for the legitimate necessities of commerce ; and if they had regulated their issues upon that principle since the peace, I am quite satisfied this country would have found itself in a situation before now, in which it would have been deemed safe to have permitted the resumption of cash pay-

ments. Is it to be accounted for upon any principle of increased confidence in the resources of this great empire, or in the so instantaneous increase of capital in the country, as that its public funds should have risen, as they did from January, 1817, to July following, from sixty-four to eighty-four, and when our income did not equal our expenditure? No, every man who has turned his attention to these subjects, must see, that it was in an over-issue of Bank paper, not called for by the natural wants of trade, but for the accommodation of the Exchequer ; and the Public, I am persuaded, will never be satisfied, that either the Bank or Government have done all in their power to bring about a state of things in which it shall be deemed safe to permit the resumption of cash-payments, until the entire floating debt due by the Public to the Bank is discharged*,

* The entire of the floating debt due by the Public to the Bank was, last 5th January, about seven millions ; since

all further accommodation in that way interdicted, and that the Bank deal out their notes to the Public for the purposes of natural trade, at an interest of five per cent. *; how else could Mr. Vansittart have raised money by exchequer-bills, for the last two years, if there had not been a redundancy of Bank of England paper in circulation? And although the payment of that floating debt to the Bank may make money worth more interest than it has been hitherto, I rather think it would prove more beneficial in every point of view; for how is it possible that money shall be worth only three per cent. in this country, and worth seven per cent.

when, the Chancellor of the Exchequer said, that by April, he should pay them three millions more. All this will be very well, provided he does not get them to advance him as much more upon the Land and Malt, &c.

* Although I advocate this course, I say these repayments must be made to the Bank with the *utmost caution*, for fear of a too sudden contraction of the circulating medium.

and higher in Petersburg, Vienna, and Paris?

Europe is, as it were, one family, leagued by treaties, and having a common interest in the general tranquillity; and I look upon it as almost impossible that any part of Europe can be disturbed by internal or external circumstances, without its being felt of general concern; therefore, the calculation of a man, having spare capital for investment, is not, whether this country or that country will remain peaceful, but only whether it is capable of paying its dividends regularly; and if he makes a comparison of the aggregate debt of this country with that of other countries in Europe, he will be struck by the difference of figures more than by any difference of resources, which, upon consideration, he might attribute to Great Britain. Supposing the effect of money being worth more interest in this country to reduce the price of our three-per-cents. to seventy-five or seventy,

what injury would that depreciation do to the community at large? It may injure a few speculators, but it would make no kind of difference to the vast bulk of the fundholders, who put their money in them as a permanent investment to obtain income; and if it had the effect of depriving the general articles of life of that artificial value which they naturally must receive from a profuse issue of paper, that income which they so derive will go further in its uses. Suppose the three-per-cents at seventy, it would not render it less difficult to raise the supplies for the year. It would be necessary, in such case, to increase the interest of the exchequer bills, but then the sinking-fund would extinguish more debt*.

The ordinary business of the country re-

* The effect of such a change of circumstances may be to lessen the produce of the revenue for a time, if it were found to have that effect permanently, then let a *property-tax* be tried.

quires a large amount of floating public securities, and the minister need have no apprehension of always keeping up the sum of fifty millions in exchequer bills, if he gives a proper interest upon them. The effect of allowing only two-pence per cent. per diem, and charging twenty shillings premium for one hundred pounds, a system which he never could have pursued, if he had not forced an issue of Bank paper, has been to drive a great deal of British capital out of the country, and, combined with other causes, to produce that state of things which may by many be thought sufficient to put off to a more distant day, the redemption of the Bank of England credit, and of the honour and good faith of Great Britain*.

* There is no doubt that the facility of obtaining money in this country, by the interest being so reduced, induced an overtrading in the last year, which always brings after it a revulsion. That revulsion began soon after the Bank of Paris restricted its discounts in October; it is yet in progress; for, soon after, money became so valuable every

It may be said, in its defence, to have forced the prosperity of the country in 1817, and down to the present day; but it is no difficult matter now, on a retrospect, to see, that that prosperity must have grown out of natural causes.

This system has engendered a spirit of gambling and speculation in the funds, very injurious to the character of the British merchant; it has produced, by the facilities which it gave to merchants to raise money, an overtrading which, sooner or later, will shew a re-action, and it has prevented the sinking fund from being more effective than if a more systematic and natural course of

where on the continent, the merchants and others shipped away every article of merchandise to England, where no want of money was felt. Merchants were found to make advances on the consignments. The payments to be made by Great Britain to the Continent were prematurely anticipated. In proof of this, look to the immense importation of corn. There is not a warehouse of any kind, from Battersea down to Greenwich, that is not groaning under the weight of foreign corn.

raising supplies had been pursued; for, it will be seen that, while for the nine months preceding last April, the Commissioners were buying the public debt at 80, the Minister was obliged to make a capital of five and thirty millions of stock out of twenty-seven millions of exchequer bills, at the price of about 78. I allude only to the system of finance, as in connexion with the principle upon which, I think, the Bank ought to regulate their issues; and, if the Government was enabled to repay the entire of the loans of 1816, those bad consequences which I have noticed as flowing from a profuse issue of bank paper, would be corrected; and I should then most implicitly confide in the discretion of the Bank of England to deal out, with a liberal hand, as much as the fair necessities of fair trade may require.

I cannot help thinking that the structure of our present corn laws has a material bearing on this question; inasmuch as that

this being an importing country, (for an average crop is not enough for the consumption, when the people are in full employment,) a market in Great Britain is ensured to those countries which grow a surplus of corn, some time, if not within the one year, in all reasonable probability, within the two years, and then at a price of about eighty shillings a quarter for wheat, &c. Now, freight and insurance in peace time being so low, eighty shillings for wheat is a monstrous price for the foreign farmer. Although such a price may be necessary to defray rent and expenses of cultivation, and to maintain values, in Great Britain, in order to raise a large taxation, the effect of the law is not only to exhaust this country of more of its labour, and its manufactures, than ought to be equivalent to so much corn, but to raise and maintain values in those countries which grow for us, and which increased values will require an increase of

circulating medium ; and until those countries, as I observed before, adopt a habit of making payments by notes and checks, they will not only not be able to spare to us any metals, but they will be striving to add to the stock they possess. I know the corn law is a tender subject ; but if the people of this country would attend to their looms and their teams, and let the Parliament calmly and deliberately legislate for them, there would be little difficulty, I think, in proving, that a fixed and permanent duty of twenty shillings a quarter on foreign wheat, ten shillings on barley, seven shillings on oats, seven shillings per hundred weight on flour, &c., &c. ; allowing their admission at all times, would give the farmer at home more steady protection, the artisan more steady employment ; and while it would be made contributory, like home-grown produce, to the necessities of the State, there would be still enough left to remunerate the foreign farmer for his rent, taxes, and expenses. It is a fallacy,

as it appears to me, to suppose that a duty would raise the price on the consumers. The effect of it would be to keep out foreign corn altogether, whenever the price of our own was very low; and when it was high, the duty would only divide the foreigners profits; for, depend on it, if they have a surplus to spare us, a nett price of sixty shillings for wheat, &c., will amply repay them.

It may be said, that an approximation of our neighbours to ourselves in values of every article, would be desirable, as our manufacturing powers would then prove their superiority. Granted; but the amount of our debt, as compared with that of other countries, precludes the hope that we can so equalize values, by any natural means, on natural principles; and though unnatural means may produce, in a degree, such a state of things, I do not think we can afford the expense of making the experiment.

I have abstained, in the whole of this

Letter, from entering into any of the points of controversy which have hitherto been mixed up, more or less, in every discussion, and in every writing upon the subject; I have endeavoured, as well as I could, to communicate to you the view, which, as a practical man, I take of the practicability, and the probable consequences of the resumption of cash payments; and if, as you may infer, I think that that event may take place, at no very distant period, without any other consequences than a momentary alarm; if I should differ in opinion from many other practical men, most of whom have almost all their property involved in floating dependencies, I shall, at least, be thought to have more courage, if I have not as much wisdom.

I know the clear views, which your luminous and intuitive mind has taken of this subject upon former occasions; and, though all I have said, may not assist in guiding

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you to a sound and just conclusion, I trust
you will give me credit, for having the best
wishes and intention to do so.

I have the honour to be,

&c., &c