OBSERVATIONS

ON THE

PRINCIPLES WHICH REGULATE

THE

COURSE OF EXCHANGE;

AND ON THE

PRESENT DEPRECIATED STATE

OF THE

CURRENCY.

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ADVERTISEMENT.

THE first intention in writing the following pages, was to animadvert on some opinions relating to the principles of political economy, which had met with a very general circulation, through the medium of several well-written pamphlets on the depreciation of the currency.

It became irksome, however, and seemed but an invidious task, to select from works that possessed generally a very high degree of merit, a few particular passages, merely to dwell upon their errors; and the author therefore determined to arrange his own thoughts upon the subject, in an order that might admit of his incidentally commenting upon such opinions of other writers, as appeared to be in opposition to his own.

It will perhaps be but too apparent that these remarks upon the principles of exchange have been written and sent to the press, with more haste than is altogether consistent with the respect due to the public; and the author would willingly have delayed the publication till he had an opportunity of revising and correcting the style: but the circumstances of the present moment seem so peculiarly suited to a Treatise of this nature, that he has not been deterred by personal considerations, from communicating his opinions to the public, on a subject which has long occupied his attention.

In the execution of his plan, his endeavour has been, to hold a middle course between such a conciseness as might be incompatible with perspicuity, and that degree of superfluous illustration which might appear to insult the understanding of his readers.

He is not without hopes that he may escape being classed with those "who, while they imagined that they themselves "had made important discoveries, uniformly found that "no discoveries had been made by their predecessors;" for the author neither pretends to discoveries himself, nor denies that merit to others. If the following observations have any claim upon the public attention, it can arise solely from the attempt to discriminate more accurately than has hitherto been done, the operation of causes that have been long known, and frequently discussed; but which have not met with so distinct and detailed a consideration as the author deems essential to a due comprehension of the subject.

OBSERVATIONS,

INTRODUCTION.

THE principles which regulate the exchange will be investigated in the simplest manner, by an arrangement that may lead the mind gradually from the separate consideration of the individual causes by which it is influenced, to the more complicated results that arise from their combined operation.

The effects of the exchange are first practically felt, when the intercourse between foreign nations has rendered it necessary to make a remittance from one country to another.

The usual mode of making a remittance, either for the discharge of debts previously existing, or for the purpose of investing it in foreign produce, is to purchase and transmit, to the person to whom the remittance is to be made, a foreign bill of exchange.

A foreign bill of exchange is an order addressed to some person residing abroad, directing him to pay a determinate quantity of foreign currency to the person in whose favor it is drawn. The quantity, therefore, to be paid, is fixed by the sum specified in the bill; but the amount of British currency to be given here, for the purchase of the bill, is by no means fixed, but is continually varying, from causes which it is the object of this essay to explain.

When the market price of foreign bills is high, the exchange is said to be unfavorable, because a larger sum will be required for discharging a given amount of foreign payments. When the market price is low, the exchange is said to be favorable, because the discharge of the same amount of foreign payments will be effected by a smaller quantity of British currency. Whatever therefore affects the price of a foreign bill, will affect the state of the exchange.

Now the price of bills will depend, in the same manner as that of any other commodity, upon two causes:

First, on their abundance or scarcity in the market, compared with the demand for them; and secondly, on the value of the currency in which they are to be paid, compared with the value of that with which they are bought.

If there be a certain quantity of foreign bills in

the market, and at the same time a great demand for making foreign payments or investments, the holders of bills will soon feel the effect of the competition for their purchase, and will refuse to part with them, except an additional price be given as a premium. If, on the contrary, there be an abundant supply of bills in the market, and not much demand for foreign payment or investment, there will be more persons inclined to dispose of bills, than there are persons desirous of purchasing them; and the holders, who wish to convert them into cash, will not be able to sell, except at a discount; so that this variation in the market price might take place, though the value of the currency of the respective countries continued absolutely unchanged.

Supposing, however, the quantity of bills in the market sufficient exactly to supply the demand, and that there are no more persons wishing to sell than there are persons wanting to purchase them, so that any alteration in their price, from this cause, is precluded; yet as the currency of all countries is subject to continual fluctuations in its value, the quantity of British currency to be given for a determinate quantity of foreign currency, at any period of time, will depend upon the comparative value of each. An English guinea may be worth, sometimes, a certain number of guilders, florins, or piastres, and at others a very different number, depending either upon alterations in the value of the guinea, or of the guilder, florin, or piastre. The moment that these alterations take place, the information is communicated from one part of the mercantile community to the other, and the price of foreign bills is regulated accordingly.

The rate of the *computed* exchange, then, will vary from two causes, totally distinct from each other. The first, arising from the abundance or scarcity of bills in the market, is the foundation of what may be called the *real* exchange, which depends upon the payments a country has to make, compared with those it has to receive, and has no reference to the state of the currency.

The second, arising from alterations in the value of the currency, is the foundation of what may be called the *nominal* exchange, which has no reference whatever to the state of debt and credit of the country. And as the effects, which the *real* and *nominal* exchange have upon the general dealings and commerce of the country, are as distinct as their causes, the natural mode of investigating the subject will be to follow the order which this division points out; and after tracing the operation of the *real* and *nominal* exchange independently of each other, to consider their combined effect, in treating upon the *computed* exchange.

OF THE REAL EXCHANGE.

IN order that the consideration of the *real* Exchange may be kept perfectly distinct from that of the *nominal*, let it be supposed, during the review of this subject, that the Coin of any two countries that have intercourse with each other is in a perfect state, as to purity and weight; and that the proportion which the quantity of currency bears to the commodities to be circulated by it in the respective countries, continues unchanged, so as to exclude any alteration in its value. 17. 24

In the commercial dealings which take place between any two nations, the surplus produce of the one will be exchanged for the surplus produce of the other. When neither of them imports from the other to a greater amount than it exports to the same country, the debts and credits of each will balance, and there will be no difficulty in making remittances from one to the other, without the actual transfer of Bullion or money; for as the Bills drawn *by* the merchants exporting produce would exactly equal, in amount, the Bills drawn *on* the merchants importing produce, their mutual debts and credits would be easily liquidated by the transfer of Bills of Exchange; and as the supply of Bills would be equal to the demand for them, they would neither bear a premium, nor be at a discount, and the *real* Exchange would be said to be at par.

At any particular period of time, however, it may happen that a nation may have imported to a greater amount than it has exported, and consequently have more payments to make than to receive. If at that time payment were demanded, the balance due from the debtor country could only be liquidated by the transfer of money or Bullion; and the merchant, rather than incur the expense of the freight, insurance and commission attending its conveyance, will be induced to give more for a Bill of Exchange, than the sum for which it is drawn. A competition will be thus created among the purchasers of Bills upon the creditor country, and they will bear a premium in proportion to the demand. In that country, on the contrary, there will be more persons holding, than there are persons wanting Bills; and the excess above the demand can only be converted into Coin or Bullion by sending them to the place upon which they are drawn. But this Bullion or Coin cannot be conveyed to the creditor, without his paying the expense of its transit; and the holder of a Bill in the creditor country,

if he be desirous of converting it into money, will be content to receive something less than its amount. There will therefore be in the creditor country a competition to sell, and Bills will be at a discount in proportion to the supply. The premium in one country will correspond with the discount in the other.

Whatever, therefore, affects the proportion between the payments to be made, and those to be received, will alter the state of the *real* Exchange.

This proportion varies principally from the following circumstances: first, from the effects of favorable or unfavorable seasons, creating a difference in the customary supply of the annual produce of the land: secondly, from the alterations which take place in the amount of the foreign expenditure of a country, arising either from the expenses of foreign establishments and expeditions, subsidies to foreign powers, or remittances to absentee proprietors.

The population of the countries that have commercial intercourse with each other, though it may vary considerably in long periods of time, is not subject to any sudden changes from year to year; the wants, therefore, for annual consumption may be considered as nearly constant; but the supply of those wants depending principally on the annual produce of the land, will vary to a very great extent. If in any particular country there should be a failure in a commodity which is also the common growth of the neighbouring countries, the deficiency will be supplied, in a greater or less degree, by an increased importation; and where the failure takes place in an article of the first necessity, as for instance, in corn, which forms the principal part of the food of the people, the importation will be augmented nearly in proportion to the extent of the deficiency. The average amount of annual imports will in these cases be exceeded, and the ordinary proportion of payments between the country and foreign nations proportionably affected; and though the effects of the failure of a corn crop, from its magnitude, and its being an article of the first necessity, are most apparent, an alteration similar in kind, but not in degree, will be induced by a failure in the produce of any commodity to the use of which a country has been long habituated. In an article of mere luxury, the deficiency of its produce, by occasioning an increase of its price, may contract the consumption, and thus cause the value of the quantity exported or imported to be in a certain degree uniform; yet it may be easily conceived that a combination of circumstances would, even in commodities of less necessity than corn, lead to an unusual export or import, and therefore materially affect the state of debt and credit of a country.

The second circumstance, which has been stated

as affecting the payments and receipts of a country, is the variation in the amount of its foreign expenditure, under which head may be included, the charge of maintaining its foreign establishments, civil and military; subsidies to foreign powers, and the remittances to absentee proprietors; the last of which it may be sufficient merely to mention, since they must bear so very small a proportion to the sum total of the foreign expenditure of a great nation, that any variations in their amount would scarcely have a perceptible effect upon the general state of its payments and receipts. On the contrary, the subsidies to foreign powers, and the expense of maintaining the civil and military establishments abroad, may vary, in times of war, to an enormous extent.

Now this expenditure may be supplied either by the export of Bullion or Specie; by purchasing foreign Bills in the home market, and sending them to the place where the money is wanted; or by authorising the agents abroad to draw Bills upon the government, and discount them at the place where they are drawn, upon the best terms that the Bill-market will allow.

By the export of Bullion or Specie the expenditure would be at once defrayed, without creating any debt against the country, and therefore without producing any effect upon the *real* Exchange; but there are various reasons why this mode has not been generally adopted. In the first place, the quantity of Bullion or Specie in a country which has no mines of its own, is exceedingly limited, and the total amount that can be spared or procured for exportation will bear a very small proportion to the foreign expenditure arising from protracted warfare. In the next place, there must always be a certain expense of insurance and freight attending its transport; and whenever, therefore, foreign Bills can be procured at a less premium than the amount of that expense, or Bills on the government abroad can be negociated at a less discount, the vehicle of Bills will necessarily be preferred to that of Specie or Bullion.

The foreign expenditure of this country, as appears by the account presented to the Committee of Secrecy by Mr. Long, in 1797, was principally paid by the draft of Bills from the Continent upon England. A debt is thus created against the country equal to the amount of the Bills drawn upon the government, which must exist, in a greater or less degree, till the whole of those Bills are liquidated by the remittance of value of some kind or other. Whatever, therefore, be the proportion between the payments to be made, and those to be received, at any period of time, arising from the ordinary commercial dealings; whatever be the quantity of Bills in the home or foreign market, which are, in fact, the evidences of that

proportion; the foreign expenditure of government must derange the natural state of the balance, and produce an alteration proportional to its amount*. If the Bills be drawn from abroad, they will increase the quantity of British Bills in the foreign Bill market, and lower their value from their abundance. If the foreign Bills be purchased at home for the purpose of remittance, the competition of government will immediately raise their price, and increase their scarcity. Whether the *real* Exchange, therefore, at the time of the expenditure taking place, be favorable or unfavorable, it will always be the less favorable, or the more unfavorable, in consequence of that expenditure.

We have hitherto been considering the demand for foreign Bills, as originating wholly in the necessity of liquidating balances arising from transactions that had already taken place; but there is another cause of demand, which springs from the desire of entering upon new commercial specula-

* See the examination of Mr. Huskisson before the Committee for enquiry into the policy and conduct of the Expedition to the Scheldt; where he states the difficulty of making the remittances to Austria without lowering the Exchange, which was already from 18 to 20 per cent. against this country.

See also Mr. Moore's Narrative of the Campaign in Spain, and the difficulty of negociating Bills there, for the supply of the army in that country.

tions; whenever the relative prices in the home and foreign markets are such as to afford the prospect of an adequate profit. If the current prices abroad are low, compared with those in the home market, there will be an increased demand for foreign Bills, for the purpose of making foreign investments; and the extent of this demand will be in proportion to the probable amount of the profits to be derived, and the unemployed capital that will admit of being diverted into that channel. As soon as a foreign price-current is received, it is compared with the price-currents at home, and the conduct of the merchant is regulated accordingly. If commodities abroad be relatively cheap, there will be more purchasers than usual of foreign Bills; if they be relatively dear, there will be fewer purchasers than usual; and thus whatever be the *real* Exchange under any given balance of payment to be made, and payment to be received, the arrival of a foreign price-current, or an alteration in the home price-current, will have an instantaneous effect upon the foreign Bill market; and the weekly, and sometimes daily, fluctuations in the course of the *real* Exchange are attributable principally to the variations in this species of demand.

It must not be inferred, however, that because the prices of commodities cause a fluctuation in the course of the *real* Exchange, that therefore the

real Exchange causes a fluctuation in the prices of commodities. The prices of commodities in the home market (upon the supposition to which we constantly adhere, that the value of the currencies throughout the mercantile republic remains unaltered) cannot depend upon the number of foreign Bills in the same market, but upon the abundance or scarcity of the commodities themselves, compared with the real demand for them; that is, the wants of consumers; and it is essential that this peculiar feature of the *real* Exchange should not escape the reader's attention, since it forms one of the leading distinctions between the *real*, and the *nominal* Exchange, and is the cause of the great difference of their effects upon the general exports and imports of the country. 9-24

It may, then, be stated generally, that, whenever there is a balance of debt against a country, arising, either from an excess of imports over exports, a large foreign expenditure of government, or the remittance of foreign subsidies; whenever, in short, there is a demand for foreign payment, or foreign investment, the price of foreign Bills will rise, and may bear a premium; and the price of Bills drawn on the country from abroad will fall, and be at a corresponding discount; and, on the contrary, when there is a balance of debt due to a country, and a diminution of demand for foreign payment or foreign investment, the price of Bills drawn from abroad will increase, and may bear a premium; and the price of foreign Bills will fall in the home market, and may be at a discount.

What effects the *real* Exchange has upon the general exports and imports of the country, it will now be proper to enquire.

The merchant is regulated in the conduct of his business, by a comparison of the prices which commodities bear in the home, and foreign market; his attention is directed to the prices current, accounts of which are constantly published, and immediately communicated by his correspondents abroad. If he finds that the price of any commodity abroad is so much higher than the price of the same commodity in the home market, that its sale abroad will pay the expences of freight and insurance, and at the same time leave him an adequate profit for his trouble, he will immediately purchase and export the commodity in question. As soon as the bill of lading has been received by his correspondent to whom the goods are consigned, he will draw his Bill upon him for the amount; and if the *real* Exchange be at par, will have no difficulty in procuring money equal to the value specified in the Bill, by negotiating it in the market at home. But if the *real* Exchange should not be at par, it is evident that his calculation upon the profit he is likely to derive from the export, must include the premium, or discount,

which he will receive, or pay, in the disposal of his Bill. If the Exchange is unfavorable, or, in other words, if the payments to be made are greater than those to be received, foreign Bills will bear a premium; and consequently, the additional sum which he will receive on the disposal of his Bill, will enable him to export with profit, though the difference of prices of the commodity at home and abroad were such, as would not allow him to export, with the *real* Exchange at par. The more unfavorable the *real* Exchange, the less might be the difference of prices that would induce him to export; so that an unfavorable state of the real Exchange will operate as a bounty upon exportation, to the amount of the premium, which he will receive upon his foreign Bill.

The same calculation upon the state of the *real* Exchange will be necessary, if the difference of prices at home and abroad should lead him to import. But whatever be the state of the *real* Exchange, it will affect the importing merchant, and the exporting merchant, in a directly opposite manner; for the importing merchant must pay for the goods he imports, either by purchasing a foreign Bill to remit to his correspondent abroad, for which, if the *real* Exchange be unfavorable, he must pay a premium; or, if his correspondent abroad is authorised by the importing merchant to draw a Bill upon him for the payment of the goods consigned, as that Bill cannot be converted into money without a loss, he must draw for such an additional sum above the invoice price of the goods, as will counterbalance the discount to be allowed in negotiating his Bill in the foreign market. This additional sum, therefore, paid by the importing merchant in the premium of the foreign Bill, or drawn for by the correspondent to make up the loss on the discount, will be so much deducted from his profit. Unless, then, the difference of prices at home and abroad be such as to admit of this deduction, the merchant must cease to import; so that an unfavorable *real* Exchange will operate as a duty upon importation, in proportion to the premium on a foreign Bill, or the corresponding discount on the Bill drawn from abroad; and in the same manner, it is easy to see, that a favorable *real* Exchange will operate as a duty upon exportation, and will afford a bounty upon importation.

An unfavorable *real* Exchange will, therefore, have the effect of forcing the exports of a country; because, during its unfavorable state, the merchant can afford to sell at a lower price to the foreign consumer, and this diminution of prices will naturally lead to an increased consumption. It will contract imports, because the importing merchant must sell foreign produce at a higher rate to the home consumer, to draw back the duty imposed

upon him by the unfavorable state of the *real* Exchange, and consequently the high price will diminish the home consumption.

It is evident that during an unfavorable state of the *real* Exchange, the bounty received by the exporting merchant does not depend upon the nature of the commodity he exports. Whatever kind of goods he sends abroad, it gives him the power of drawing upon the person to whom he consigns them, to the amount of their value; and upon this Bill he receives the premium that the market affords. He will of course select those commodities for exportation, which, besides the premium afforded by his Bill, will give him the greatest profit, by the difference of price abroad and at home. Of all the commodities which are the objects of request among trading nations, there is none perhaps that is subject to so little variation in its *real* price, as Bullion. The annual quantity produced from the mines is very nearly constant,—its distribution, from the facility with which it is transported, is exceedingly uniform,—and its value, and consequently its real price, throughout Europe at least, must be considered as nearly the same. Unless, then, the bounty afforded by the unfavorable state of the *real* Exchange, were greater than the expenses attending the transit of Bullion, it would be of all others the commodity* least likely to be selected by the exporting merchant; but that same uniformity of value and of price, which would prevent its being exported before the premium on a foreign Bill exceeded the expenses of the transit of Bullion, would be the very cause why, as soon as the premium had reached that point, it would immediately be chosen as one of the most eligible for exportation.

The export and import of Bullion are generally conducted by a class of the community remarkable for their shrewdness, and the small profits upon which they transact their business; and as soon as the premium on a foreign Bill exceeds, by a very small amount, the expenses of the transit of Bullion, the certainty of the profit compensates in some degree for its smallness, and the opportunity, when it occurs, is seldom neglected. The adverse debt will then begin to be paid, by the Bullion merchants exporting to take advantage of the premium; and the competition will be such, that the *real* exchange will be very rapidly brought down,

* Mr. Thornton, apparently from not being aware of the mode in which the export of ordinary produce was increased by an unfavorable *real* Exchange, seems to imagine that the greater part of the adverse balance must necessarily be paid in Bullion.—(pp. 131 to 134.)

so as no longer to afford a profit upon the export of this article. The exporters of consumable produce will during this period co-operate with the Bullion merchants; and when the latter have ceased to derive a profit, the former will still continue their operations, till the unfavorable Exchange is reduced to par, or, in other words, till the exports have been such, as to counterbalance the adverse debt, and render the quantity of foreign Bills in the market equal to the demand.

From this statement it is obvious, that the natural limit to the amount of the *real* Exchange is the expense of the transit of Bullion, and long before it has arrived at that point, the export of ordinary produce will be forced, and its import restrained; so that the *real* Exchange can scarcely begin to deviate from par, without calling into action a principle that will correct its deviation. It may oscillate a little on the one side, or the other, from its point of rest, but can hardly admit of remaining either permanently favorable, or permanently unfavorable, to a nation, in the ordinary course of its transactions *.

* This observation must be understood to apply to the general balance that subsists between any one nation, and the whole of those with which it has commercial intercourse; it being evi-

It must not be inferred, however, because the expense of the transit of Bullion is the limit of the *real* Exchange, that it is therefore a fixed limit, and capable of being estimated at a certain percentage on the price of a foreign Bill; for when the *real* Exchange has caused a transit of Bullion to any considerable degree, it will at length create a difference in the market price of Bullion itself. 2/17
This article will become scarce in the country from which it is sent, and abundant in that into which it is flowing. Its price will rise in the former, and fall in the latter. The exporter, therefore, will then have to calculate the difference of prices in the home and foreign market; and if in the first instance the profit were but just sufficient to induce him to export, it is clear that after the change has taken place, the exportation of Bullion, under the same rate of Exchange, will cease.

Mr. Boyd, in his evidence before the Secret Committee of the House of Lords, in 1797, respecting the mode of remitting the Imperial loan to Vienna, states, " that he thought the remit-" tances by Bills of Exchange were not quite " so favorable as those in Bullion; but, if he had

dent that where a nation trades with more than one country, the *real* Exchange may be constantly favorable with one, provided it be constantly unfavorable with another.

stuck exclusively to Bullion, the price of this article would have risen so high here, and probably sunk so low at Hambro', that instead of a good, it would have become a bad remittance." The limit therefore of the *real* Exchange can only be fixed at a certain rate, upon the supposition that the price of Bullion is the same in the home and the foreign market; for when the *real* price of Bullion abroad is less than it is at home, the transit of Bullion will not take place, unless the rate of Exchange be sufficiently high, not only to pay the expenses of transit, but also to compensate for the loss attending the difference of home and foreign prices. When, on the contrary, the price of Bullion abroad is higher than in the home market, it is equally evident that Bullion will be exported, when the *real* Exchange is less than the expenses of the transit of Bullion.

And thus it is that a very small part of the payment of an unfavorable balance is effected by the transit of Bullion, since its transit can scarcely begin to take place, without rendering it a more unprofitable article of export than ordinary consumable commodities. For the former cannot, generally speaking, be considered as a commodity the consumption of which will be augmented by a diminished price, its use being confined to the wealthy few, who are not likely to encrease the quantity of their plate, or indulge themselves more freely in the purchase of ornamental manufactures, from the temporary variations in the market price of Bullion: but it is not so with ordinary produce. The great mass of mankind will always endeavour to purchase their comforts at the lowest possible rate. If by means of an unfavorable Exchange our merchants can supply the nations of the Continent with British manufactures, cheaper than when the Exchange is at par, our manufactures will be bought and consumed; and in proportion to the degree in which the Exchange is unfavorable, in the same proportion, shall we be enabled to enter more easily into a competition with the manufacturers abroad, even in their own market.

A possible case may, nevertheless, be supposed, where the government may, from political causes, be induced to continue a scale of warfare, demanding a larger foreign expenditure than can be supplied by a proportional excess of exports over imports; and, consequently, if the quantity of Bullion in the country were extremely limited, the *real* Exchange might, notwithstanding the usual causes that check and prevent its fluctuations, deviate so much from par, and create so great a drain of Bullion, as to raise its market price above its mint price.

It is certain that the Bullion merchants would, in that case, rather than pay the advanced market

price, endeavour to collect the current Coin for the purpose of exportation. A pound of gold at the English mint is coined into forty-four guineas and a half, or 46*l.* 14*s.* 6*d.** By exchanging, then, bank-notes at the Bank, for coin, they can always procure a pound of gold for 46*l.* 14*s.* 6*d.* in notes; and so long as they have this power of purchasing gold at the mint price, at the Bank, they will not give a higher market price elsewhere. If the paper, therefore, be convertible into Coin at the option of the holder, the Bullion merchants will be constantly pouring in their notes upon the Bank, to be exchanged for Coin, which will be exported†, as fast as it can be procured; and thus a drain upon the Bank will be

* Throughout this pamphlet, the Author, in speaking of Bullion, has confined his observations to Gold Bullion only; first, because the Gold Coin is now the only one in which a legal payment can be made for debts above 25*l.* in amount; and, secondly, because he has derived considerable assistance from, and had frequent occasion to refer to, Mr. Mushet's valuable Tables of the Exchange between London and Hambro', since the year 1760, in which the price of Gold Bullion only is noted.

† It is true the laws have affixed most severe penalties to the melting or exporting the current Coin of the realm; but these penalties have always been found insufficient for its protection, the Coin having uniformly disappeared, whenever either of the above practices has been attended with an adequate profit.

established, to a greater or less extent, in proportion to the amount of foreign payment that must be discharged; before the *real* Exchange is sufficiently elevated to prevent any profit upon the export of Bullion. As long as this drain continues, the Bank will be compelled to purchase Bullion, and to coin, for the purpose of supplying the demand occasioned by the return of its notes; and as the purchase must be made at the then market price, it is evident that in whatever degree that shall exceed the mint price, the Bank must sustain a loss proportional to the difference; and that a continuance of the drain, under such circumstances, might eventually lead to its ruin.

It was upon this ground that the Directors of the Bank, in the year 1795, remonstrated in so urgent a manner against any further loans to the Emperor; lest the drains, which those loans occasioned, should prove fatal to that establishment. In a letter from the Directors to Mr. Pitt, dated October 8, 1795, after observing upon the continual drain that the loan to the Emperor had occasioned; they proceed to state, "that the present "price of gold being from 4*l.* 3*s.* to 4*l.* 4*s.* per "ounce, and our guineas being to be purchased "at 3*l.* 17*s.* 10½*d.*, clearly demonstrates the "grounds of our fears, it being only necessary to "state these facts to the Chancellor of the Ex-

* P. 152, Secret Committee of the House of Lords, 1797.

"chequer*." Now those very facts ought to have led Mr. Pitt to suspect, that the drain upon the Bank, at that time, arose from some other cause than the loans to the Emperor; for it has been already shewn how impossible it is, that the Bullion merchant should for any length of time continue the export of Bullion, without increasing the quantity abroad, and lowering its price so much, that it would no longer afford a profitable speculation. Mr. Pitt should have recollected, that for the last twenty-one years from 1774, when the reformation in the gold Coin took place, though the *computed* Exchange between Hambro' and London had frequently been so unfavorable to London, as far to exceed the expenses of the transit of Bullion, the quantity required for export had been so easily supplied, either from the spare Bullion, or from the export of the Coin, that the market price of bullion had never exceeded the mint price, except only for about six months, at the time of the peace of Versailles, in the year 1783; and then only by about 3*s.* 2½*d.* in 100*l.*, not much more than $\frac{1}{7}$th part. Now as during a great part of that period, the country was engaged in active warfare, which would cause, from the variations in the amount of the foreign expenditure, occasional demands for large foreign pay-

* P. 152, Secret Committee of the House of Lords, 1797.

ments, one would have expected, that such an excessive increase of the market price above the mint price, as was asserted by the Bank Directors to have taken place, amounting to *7l. 4s. 5½d.* per cent. being forty-five times greater than any variation that had occurred in the former war, would have led him to receive their remonstrances with considerable suspicion.

If, in addition to this, he had called to mind that the excess of the market price above the mint price, could be accounted for, and might have taken place, though no loan to the Emperor had been in a course of remittance; that the excess of the market price of Bullion over the mint price had existed to a very great extent, attended with a drain upon the Bank, prior to the year 1774, when the gold currency was degraded below its standard weight; that the drain, under such circumstances, would have equally existed, though there had been no demand for the exportation of Bullion, (as will be fully explained, in the Section upon the Nominal Exchange,) it seems unaccountable that he should so easily have yielded to the representations of the Directors; and it is the more to be lamented, since the impressions he then received, seem to have had considerable influence in producing the fatal measure of permanent restriction on Bank payments, which began in the year 1797, only fourteen months after this period.

But assuming it to be the fact, that the foreign expenditure at that period was greater than on any former occasion, and that the real cause of the drain was that assigned by the Bank Directors, still they had the means of prevention within their own power; for it will be shewn, in the next Section, on the *nominal* Exchange, that when the currency of a country consists partly of Paper, and partly of Coin, and that the former bears a large proportion to the latter, the Bank can at all times contract the issue of its notes, and produce a considerable diminution in the total amount of the currency. By this means the *nominal* prices of commodities, and amongst the rest, that of Bullion, will be lowered. As soon, therefore, as a reduction has thus been effected in the price of Bullion below its mint price, the drain upon the Bank will at once be stopped; since it will no longer be the interest of the Bullion merchant to purchase gold at the mint price, by exchanging notes at the Bank, when he can procure it at a cheaper rate in the market. The Bank Directors were so well aware of this mode of counteracting the effects of a drain upon them, that they had recourse to it at the very period of making their remonstrances; and the market price of Bullion, which had been *9s. 7d.* per cent. below its mint price, in the beginning of the year 1795, and which probably might never have been raised, had not the Bank, at this period, extended its paper from 11 to $13\frac{1}{2}$ millions, was, by the subsequent contraction of it to $9\frac{1}{2}$ millions, again reduced, before the middle of the year 1796, to 9*s.* 7*d.* below the mint price. Unfortunately, too for the country, this same counteracting principle was resorted to, when the drain took place in the beginning of the year 1797, arising, not from a demand for bullion for the purpose of exportation, nor from an excess in its market price above the mint price, neither of which existed at the time *; but solely from the alarm occasioned by the fears of invasion ;—a drain that will always occur under similar circumstances, and which will be aggravated, rather than relieved, by a contraction of paper.

It should be carefully remembered, that the profit from the export of Bullion in consequence of an unfavorable *real* Exchange, does not arise from Bullion selling for a higher price in the foreign than in the home market, nor from any scarcity of Bullion abroad occasioning an extraordinary demand for it; but solely from the demand for

* In January 1797, the *computed* Exchange between Hamburgh and London was 5*l.* 4*s.* per cent. in favour of London, and during the year rose to 13 per cent ; it never being, at any part of the year, less than 3*l.* 2*s.* in favour of London. The market price of Bullion, at the same period, was never above its mint price.

foreign bills, for the purpose of making foreign payments, being so great, that the premium upon them exceeds the expenses of the transit of bullion ; and, consequently, the transit will take place and afford a profit to the exporter, though the price of bullion be precisely the same abroad as it is at home.

When such a quantity of bullion has been exported as to raise its market price above the mint price, the coin being obtainable at the mint price, will be exported in preference to bullion ; not in consequence of any depreciation in the value of the coin, for it will purchase the same quantity of ordinary produce after the rise of the price of bullion as before ; nor because it is more valuable abroad than it is here, for it will not purchase more in the foreign than the home market ; but it will be exported, for the same reason that the bullion is exported, to take advantage of the premium on foreign bills, and will be sent, though the price of bullion be precisely the same in the continental market as the English mint price.

After what has been stated, it will be sufficiently apparent, upon what a false foundation the old notions respecting the advantages of a favorable balance of trade are built, and how futile all attempts must be to procure and detain bullion, beyond the quantity that is actually wanted for consumption. The transit of bullion from a higher low *real* exchange is an unnatural transit, not arising from the wants of the country into which it flows, but depending solely on the profits which a temporary pressure for foreign payments affords to the bullion merchants on the sale of foreign bills; and as soon as the cause that has produced the temporary influx subsides, (an event that will sooner or later necessarily take place, by the import of such ordinary produce as is wanted for the purposes of consumption, and increased enjoyment of the people,) the superfluous and unused quantity of bullion that has been accumulated, will flow back from the country where its abundance has rendered its real price low, to those nations from which it had been unnaturally sent, and where its scarcity will have rendered its real price high.

Much of the confusion that attends this question would have been avoided, had the dealers in bills of exchange, and the dealers in bullion, (that is, the persons who export or import bullion for the supply of consumers,) been two distinct classes of merchants. It would then have been seen that the profits of the dealer in bills of exchange flowed through very different channels from those of the dealer in bullion. If at any time the course of exchange were such as to afford a profit to the bill merchant by the sale of foreign bills, he would export that bullion which had been imported for the use of the manufacturer, and would continue

to export till it no longer afforded a profit. The bullion dealer would then begin to re-import, in consequence of the difference of prices in the home and foreign markets, the bullion that the bill merchant had sent away, in consequence of the high premium on foreign bills. Whatever derangement the bill merchants might occasion in the quantity of bullion that would be otherwise naturally distributed among the different countries according to their wants, would be remedied by the operations of the bullion merchants, who would find their advantage in restoring the equilibrium that the bill merchants had destroyed.

The dealer in bills of exchange would have employment, when there was the least difference between the prices of bullion in the home and foreign market, and the *real* exchange at the greatest deviation from par.

The bullion dealer would be most engaged, when there was the greatest difference in these prices, and the *real* exchange at its least deviation from par.

Had this distinction been attended to by Lord King, he would never have entertained such erroneous opinions respecting the exports of silver from this country to India, nor have considered them as indications of an exchange constantly in favor of England against the Continent; for he would have seen, that the export of bullion is not regulated merely by the speculations of the dealers in bills of exchange; but is effected, like that of any other commodity, when there is such a difference in its real prices at any two places, as will afford a profit on its transit; an occurrence that will frequently take place, even with an exchange at par.

OF THE NOMINAL EXCHANGE.

THE market price of a foreign bill has been stated to depend upon two circumstances;—first, on the scarcity of bills in the market compared with the demand for them; and secondly, on the value of the coin or currency in which they are to be paid, compared with the value of the coin or currency with which they are bought.

The first of these, as connected with the *real* exchange, formed the subject of the foregoing Section; we shall now proceed to examine the nature and effects of the second, on which depend the alterations of the *nominal* exchange; and as in treating of the *real* exchange we endeavoured to

keep the subject as distinct as possible from the question of the *nominal* exchange, by supposing no alteration to take place in the value of the currencies in the respective countries; so in tracing the effects of the *nominal* exchange, we shall suppose the state of the *real* exchange to remain unaltered; or the mutual dealings and intercourse between the nations composing the great mercantile republic to be such, that the price of foreign bills is not affected by any variation in their abundance or scarcity, but that the supply of them is constantly sufficient to answer the *real* demand.

In this case the variations in their price can arise only from changes in the comparative value of the currencies in which they are paid, and those with which they are bought.

It will not be necessary, therefore, to enter into any enquiry respecting those changes which have taken place from the discovery of the American mines, or which have arisen from any cause that would affect all currencies in an equal degree; since the object is not to compare the value of currencies now, with what they were at any former period, but to estimate the local alterations that have taken place in the currency of one country, without a corresponding alteration in that of others.

The currency of every nation is subject to continual fluctuations in its value, principally from three circumstances.

First, An alteration in the quality and standard purity of the metal of which the coin is formed.

Secondly, An alteration in the quantity of the metal contained in coin of the same denomination.

Thirdly, An alteration in the total amount of the currency of a country, without a corresponding alteration in the commodities to be circulated by it.

The first of these is now seldom resorted to in a civilized country, even under the most pressing necessities of the government.

The second has been frequently adopted by princes and sovereign states, who through a mistaken policy have imagined that they derived a benefit from diminishing the quantity of metal contained in their coins. The English pound contained, in the time of Edward the First, a pound of silver. The French livre contained a pound weight of silver, in the time of Charlemagne. The English pound contains, at present, only one third, and the French one 66th part, of their original value *; but I believe, except in Turkey, there is no instance of this practice being countenanced by any of the modern governments. The

* Smith's Wealth of Nations, vol. i. p. 39.

metallic currencies, however, of most nations, even where the governments have been desirous of maintaining them in a state of the utmost possible perfection, have been much diminished in value by being worn from use, and clipt or otherwise degraded by the illicit practices of the people. To avoid the confusion that would follow from the constant fluctuations in the value of currencies, merchants have adopted a mode by which they endeavour to estimate the extent of these fluctuations; and for this purpose, have ascertained with tolerable accuracy, in what quantities of coin of the mint standard in different countries, an equal weight of gold or silver of the same standard fineness is contained. Thus it has been determined, that a pound sterling of the English mint contains the same weight of silver, of a certain fineness, as 33 schillings 8 grotes* of the Hambro' banco

* From the evidence before the Secret Committee of the House of Lords, in the year 1797, it appears that there is a difference in the mode of estimating the par of Exchange with Hambro', the house of Goldsmid considering 33. 8. and Mr. Boyd's 34. 8. as the par of Exchange. The difference seems to have arisen, from the former estimating the par according to the standard of Hambro' banco money; the latter, according to the actual currency of Hambro', which appears to be more than 3 per cent. below the standard of the banco money. Upon this supposition there is less difficulty in reconciling the apparent contradiction, that 3 schillings above the par, has the same

money; and in speaking of the exchange with Hambro, 33. 8. is in the technical language of merchants said to be the par of exchange. In the same manner the par of exchange with France is fixed at 24, because 24 livres of the mint standard of France contain the same weight of silver, of a certain fineness, as the pound sterling of the English mint.

By means of this rule, the merchants of one country would never be at a loss to estimate what quantity of their own money would be equivalent to a specific sum of foreign money, so far as regarded the weight of metal, provided the coins of the respective countries contained the due weight of their respective mints. But in some countries the coins are more, in others less worn, and clipt or otherwise degraded below the mint standard. When these alterations have taken place, it would be necessary either to establish a new par of exchange,

effect one way upon the transit of gold, that 4 grotes below par has the other; a fact that was stated by Mr. Goldsmid's partner, but which he was unable satisfactorily to explain.

If the Hambro' currency were so much degraded below the banco money, that 35 schillings 4 grotes currency were worth no more than 33 schillings 8 grotes banco money, there would be a *nominal* Exchange of 1 schilling 8 grotes against Hambro', for every pound sterling; and if the par is estimated at 33. 8, 4 grotes below that sum, and 3 schillings above it, would be equally distant from the *real* par of 35 schillings 4 grotes.

to guide merchants in their money transactions, or, as is now the general usage, not to alter the par of exchange, but to mark the fluctuation of the currency by considering it as so much above or below the established par. In King William's time, before the reformation of the silver coin, (silver being then the metal in which the payments of the country were legally made,) the current coin was rather more than 25 per cent. below its standard value. The established par, however, was not altered; but the exchange was said to be 25 per cent. against England *. Before the reformation of our gold coin in 1774, the guinea contained so much less than its standard weight, that it was degraded 2 or 3 per cent. when compared with the French coin at the same period; and the exchange between England and France was then computed to be 2 or 3 per cent. against this country; upon the reformation of the gold coin, the exchange rose to par. The Turkish government, in the course of the last forty years, has made three great alterations in its coin. Before these frauds were committed, the Turkish piastre contained nearly as much silver as the English half crown; and in exchange, the par was estimated at 8 piastres to the pound sterling. The consequence of these

* Smith's Wealth of Nations, vol. ii. p. 216.

repeated adulterations has been, the reduction of the silver in the piastre to one half, and a fall in the exchange of 100 per cent., bills on London having been bought in Turkey, in 1803, at the rate of 16 piastres for every pound sterling*. Now though it is not absolutely conclusive, that these alterations in the *computed* exchange were entirely owing to the fluctuations in the value of coin, because the *real* exchange at the time might not be constant; yet the correspondence of the difference of exchange, with the acknowledged degradation of the coin, renders it more than probable, that the fall of the *computed* exchange arose from an alteration in the *nominal* exchange only.

It is unnecessary to enter further into the detail of the consequences that arise from the degradation of the coin below its mint standard. As soon as that degradation (which never can remain long concealed) is discovered, the inconveniencies that would otherwise attend the commercial intercourse are obviated by a corresponding alteration in the *computed* exchange; and though during the continuance of the degradation, the *nominal* exchange will remain permanently unfavorable to the country in which it prevails, it will be immediately restored to par, by a reformation of the circulating

* Foster, on Commercial Exchange, p. 93.

medium. We will therefore, in the remaining part of this enquiry into the nature and effects of the *nominal* exchange, suppose, that the currencies are not degraded below their mint standards, and confine our observations to the third cause, which has been stated to affect the value of currencies; viz. the ratio, which the total amount of the currency in one country bears to the commodities to be circulated by it, compared with the ratio that the currencies of other countries bear to the commodities which they are respectively employed to circulate. It is the fluctuation from this cause, which at present principally affects the *nominal* exchange.

Had the currencies of commercial states been confined to the precious metals only, it is scarcely possible that any increase of currency, more than was demanded by the wants of increasing wealth, could have taken place in countries that had no mines of their own. As the metals of which the coin was composed must have been purchased at their value, no possible motive can be conceived, that would induce the holder of bullion to convert it into coin, unless there was a real demand for it. The circulating medium of modern times no longer consists of the metals only, almost all nations having adopted, on a greater or less scale, the use of paper currency, issued, generally, under the sanction of government, by corporate bodies or banks;

who are responsible for the payment of it in specie on demand. As the profits of these corporate bodies or banks are in proportion to the quantity of the paper they can permanently keep in circulation, there can be no doubt that every effort consistent with prudence, will be made to augment that quantity. But it is impossible that such an increase can take place in the quantity of any commodity that is given in exchange for others, whose quantity is not augmented in the same proportion, without affecting their comparative value. If the currency of a country is increased, while the commodities to be circulated by it remain the same, the currency will be diminished in value with respect to the commodities, and it will require a larger proportion of the former to purchase a given quantity of the latter; or, in other words, prices will rise. If we were in the habit of considering money as purchased by commodities, instead of commodities being purchased by money, the diminution in the value of money from its abundance, would be immediately apparent. Mr. Thornton admits, in the most explicit manner, "that if the quantity of circulating medium is "permanently augmented, without a corresponding "augmentation of internal trade, a rise will "unavoidably take place in the price of exchangeable articles. Indeed this is a principle "upon which all the writers on Commerce, both

"practical and speculative, are agreed; they have "thought it so undeniable as to require no particular illustration, and have rather assumed "it as an obvious truth, than as a proposition "that depended on inference. Upon this idea is "founded Mr. Hume's well-known argument "against banks; and it is equally implied in Dr. "Smith's confutation of that objection: it forms "the foundation of those presumptions from which "Mr. Boyd has lately inferred an improper increase of Bank of England paper; and it is implicitly admitted, likewise, by Mr. Thornton, "one great object of whose book is to persuade the "public that there has been no such increase.*" Without entering, therefore, into an unnecessary argument, I shall, for the present, assume as admitted, that the increase of currency, while the commodities to be circulated remain the same, will be attended with an increase of nominal prices, and a correspondent depreciation in the value of money.

Now it is impossible, when the currency of a country has been thus depreciated, that the same amount of it should purchase the same sum of foreign money as before its depreciation. A foreign bill, or an order for payment of a

* Edinb. Review, vol. i. p. 178.

^ and the state of transactions are unaltered — This seems a necessary condition — a smaller quantity of currency being requisite when trade is brisk than when it is languid given sum of foreign money abroad, will not be sold, unless for such an increased amount of the depreciated currency, as will counterbalance the diminution of its value. Foreign bills will, therefore, bear a premium, in proportion to the depreciation.

In the same manner a bill on the country where the currency is depreciated will be bought abroad, where money retains its value, for a much less *nominal* sum than the amount for which it is drawn; or, in other words, will be at a discount. Suppose, for instance, that the coins being in the utmost state of perfection in England and France, and the *real* exchange at par, the augmentation of the total amount of the currency in England were such as to raise prices here, to double their former amount, it would require, in that case, twice the sum to purchase the same commodity in England that would be required in France.× The same *nominal* sum would, therefore, be only of half the value:---24 livres in France would purchase an order for the payment of 2*l.* sterling in England, and the *nominal* exchange, would be 100 per cent. against England.

An augmentation of currency that affects prices, cannot take place without a corresponding alteration in the *nominal* exchange. Merchants, from the average sale of the produce which they receive and remit, and from the uninterrupted cor-

× This can never happen if the currency is coin or paper payable in Coin on demand See P 27

respondence which they hold with each other, expressly for the communication of the prices current, have not much difficulty in distinguishing those fluctuations which are owing to the partial abundance or scarcity of a few articles, from that general increase of price which denotes a depreciation of currency;---or, should they, from want of experience, be tempted to engage in commercial speculations, from a difference of prices not depending upon the *real* demand, but arising merely from an over-issue or contraction of currency, the loss upon their returns would infallibly teach them more caution in future.

After the par of exchange, therefore, has been established, an alteration in the value of currency, whether it arises from a debasement of the coin below its standard, a diminution of weight below the mint regulation, or depreciation of its value from relative over-issue, will alike affect the price of a foreign bill, and be made evident by an unfavorable *nominal* exchange.

It now remains to trace the operation of the *nominal* exchange on the several exports and imports of the country.

When foreign bills bear a premium from an unfavorable *nominal* exchange, it appears advantageous, upon a superficial view of the subject, to export produce, in consequence of the profit arising from the sale of the bill, which the merchant would be authorised to draw upon his correspondent abroad. But a very little consideration will shew that there is, in this respect, a striking difference between the *real* and the *nominal* exchange. It is true that the merchant will obtain a premium upon his bill; but it is this premium which alone enables him to export. The same cause that has given rise to this premium, has increased the *nominal* prices of the articles, which he buys, for the purpose of exportation, in the home market; whatever he gains upon the bill, he loses in the purchase of his goods. The merchant, therefore, must calculate what is the difference at home and abroad, in the real prices of commodities, by which I mean the prices at which those commodities would be bought and sold, if no depreciation of currency existed. If those prices are such, as to admit of a profit, the merchant will continue to export, whether the *nominal* exchange be favorable or unfavorable;—that circumstance can make no difference whatever in his transactions.

Suppose, for instance, the currencies of Hambro' and London being in their due proportions, and therefore the *nominal* exchange at par, that sugar, which from its abundance in London sold at 50*l.* per hogshead, from its scarcity at Hambro' would sell at 100*l.* The merchant, in this case would immediately export. Upon the sale of his

sugar, he would draw a bill upon his correspondent abroad for 100*l.* which he could at once convert into cash by selling it in the bill market at home, deriving from this transaction a profit of 50*l.*, from which he would have to deduct the expenses of freight, insurance, commission, &c. Now suppose no alteration in the scarcity or abundance of sugar in London and Hambro', and that the same transaction were to take place, after the currency in England had been so much increased that the prices were doubled, and consequently, the *nominal* exchange 100 per cent. in favor of Hambro'. The hogshead of sugar would then cost 100*l.*, leaving, apparently, no profit whatever to the exporter. He would, however, as before, draw his bill on his correspondent for 100*l.*; and as foreign bills would bear a premium of 100*l.* per cent. he would sell this bill in the English market for 200*l.* and thus derive a profit from the transaction amounting to 100 depreciated pounds, or 50*l.* estimated in undepreciated currency; deducting, as in the former instance, the expenses of freight, insurance, commission, &c.*

* The reader will observe how much the nominal income, and apparent profits, of the merchant are increased by the depreciation of the currency.

The case would be precisely similar, *mutatis mutandis*, with the importing merchant. The unfavorable *nominal* exchange would appear to occasion a loss amounting to the premium on a foreign bill, which he must give in order to pay his correspondent abroad. But if the difference of *real* prices in the home and foreign markets were such as to admit of a profit upon the importation of produce, the merchant would continue to import, notwithstanding the premium; for that would be repaid to him in the advanced *nominal* price at which the imported produce would be sold in the home market.

Suppose, for instance, the currencies of Hambro' and London being in their due proportions, and therefore the *nominal* exchange at par, that linen which can be bought at Hambro' for 50*l.* will sell here at 100*l.* The importer immediately orders his correspondent abroad to send the linen, for the payment of which he purchases at 50*l.* a foreign bill in the English market, and on the sale of the consignment for 100*l.* he will derive a profit amounting to the difference between 50*l.* and the expenses attending the import.

Now suppose the same transaction to take place, without any alteration in the scarcity or abundance of linen at Hambro' and London, but that the currency of England has been so augmented, as to be depreciated to half its value. The *no-*

minal exchange will then be 100 per cent. against England, and the importer will not be able to purchase a 50*l.* foreign bill for less than 100*l.* But as the prices of commodities here will have risen in the same proportion as the money has been depreciated, he will sell his linen to the English consumer for 200*l.* and will, as before, derive a profit amounting to the difference between 100*l.* depreciated money, or 50*l.* estimated in undepreciated money, and the expenses attending the import.

The same instances might be put in the case of a favorable exchange; and it would be seen in the same manner, that *nominal* prices and the *nominal* exchange being alike dependent upon the depreciation of currency, whatever apparent advantage might be derived from the former, would be counterbalanced by a loss on the latter, and *vice versâ*.

For the very same reasons that the *nominal* exchange produces no alteration in the imports or the exports of ordinary produce, it can have no effect on the export or import of bullion. Nothing can be more evident, than that bullion must be subject to the same variation in its price from an alteration in the value of currency as any other commodity. If the value of currency is diminished, the prices of all commodities must advance,

x Paper

and that of bullion among the rest*. How then is the profit of the merchant, from the export of bullion, to arise? Is it not evident that upon an unfavorable *nominal* exchange, whatever premium he may gain upon his bill, as much will be lost in the advanced price which he must pay for the bullion?---Yet all writers upon the subject of political œconomy, that I have met with, seem to be persuaded, that when the rate of exchange has deviated from par beyond the expenses of the transit of bullion, bullion will immediately pass; and the error has arisen, from not sufficiently distinguishing the effects of a *real*, and a *nominal* exchange. This false opinion seems to have been strongly impressed upon all the merchants and Bank Directors who were examined before the Secret Committee of the Houses of Lords and Commons, in the year 1797; nor does Mr. Pitt himself appear to have been exempt from its influence. Mr. Bosanquet expressly declares his opinion "that the "favorable state of the exchange afforded a pros-

* "Bullion is a commodity, and nothing but a commodity, "and it rises and falls on the same principle as all other commodities. It becomes, like them, dear in proportion as the "circulating medium for which it is exchanged is rendered "cheap; and cheap in proportion as the circulating medium "is rendered dear."---(Thornton, Paper Credit, p. 262.)

* This is true if the Depreciation has produced proportionable effects on the price of Bullion and on the rate of exchange

"pect of purchasing foreign gold, and setting the "mint at work," (p. 32. Com. H. of Lords 9 & passim.) Now it is absolutely impossible that an exchange, arising from depreciation of currency, can have any effect upon the export or import of bullion. For supposing the *nominal* exchange at par, and the *real* prices of bullion in London and Hambro' precisely the same, it is clear there could be no motive to export bullion, but that, on the contrary, it would be attended with the certain loss of the expenses of transit. Every thing else, then, remaining the same, let the currency in England be augmented so that the prices of commodities shall rise 4 per cent. and bullion of course among the rest; the depreciation of the currency will immediately be indicated by an unfavorable *nominal* exchange of 4 per cent. Is it possible that the bullion merchant can be deluded with the idea, that he can derive any benefit from a premium of 4 per cent. upon his bill, when he purchases bullion here at an advanced price, and sells it at Hambro' 4 per cent. lower? Does he not lose as much from the difference of prices, occasioned by the depreciation, as he gains by the premium on his bill, occasioned by the same depreciation, and consequently subject himself to all the expenses attending the transit, in the same manner as when the *nominal* exchange is at par?

For the same reason, there would be no advan-

9 If Paper was payable in Coin on demand the case Mr Bosanquet contemplated he would be right—

tage derived from the import of bullion if the *nominal* exchange were favorable. Suppose it were 4 per cent. in favor of this country—it is evident that money here would be 4 per cent. more valuable than at Hambro'; prices, therefore, would be 4 per cent. lower, and foreign bills in the English market would be at 4 per cent. discount. Under these circumstances, if foreign bills were purchased to be invested in bullion at Hambro', and the bullion were sent here, would it not be sold in the English market at 4 per cent. less than was given for it at Hambro': thus destroying every advantage derived from the *nominal* exchange, and subjecting the importer to the same loss, as in the former instances. Is it then to be wondered at, that with such opinions as the Bank Directors seem to have entertained, they should be so totally at a loss to reconcile the facts with their false theory respecting the export and import of bullion? During the course of the year 1796, for eleven months previous to the Bank restriction, the exchange had been, with only two exceptions, favorable; and at the end of February 1797, was so high as considerably to exceed the expenses of the transit of bullion; yet when Mr. Raikes, on the 13th March, was examined before the Secret Committee of the House of Com-

* Secret Committee of the House of Commons, p. 33.

The Author in extending this doctrine to the case of a nominal alteration in the exchange, occasioned by the state of the coin overlooks a most important circumstance.

mons, he acknowledged, that measures had been taken by the Bank to procure a supply of bullion, but without effect, as it could not be imported except at a considerable loss. On the 14th Mr. Bosanquet stated to the same Committee, that the influx of bullion is occasioned by a favorable exchange; that the exchange had not been unfavorable for many months; and when asked whether the importation had been such as it ought to have been, considering the state of the exchange, replied*, "I am not able "to answer these kind of questions." The fact is, that the *nominal* exchange might for years continue in favour of a country, and not cause a single ounce of bullion to flow into it, or have any effect upon the general state of exports and imports, which would proceed in their usual course, regulated only by the wants of consumers, and the supply of commodities†.

The various pieces of coin are not alike [illegible]. The alteration in the exchange is therefore regulated by the average state of the coin and this is generally so low as to afford a profit on the exportation of the best.

It is in vain therefore to look for any remedy for a high *nominal* exchange from any alteration in the

Precious metals [illegible] the exchange so as to give the same profit on exportation which could not be antecedently expected. — A nominal unfavourable exchange must therefore always grow worse if founded on the quality of the coin

* Secret Committee of the House of Commons, p. 28.

† It is not to be inferred, that because the *nominal* exchange has no effect on the general exports and imports, that therefore the country sustains no injury; the contrary of which will be shewn, in treating of the foreign expenditure of government, and the unequal pressure that the depreciation occasions on the different classes of the community.

exports and imports of a country. When it arises from a degraded state of the coin, a new coinage immediately restores it to par. When it arises from the augmentation or contraction of currency, the restoration of the currency to a due proportion with the commodities to be circulated by it, will be the true and only remedy.

In what manner this restoration of the currency to its level is effected, it will now be proper to enquire.

In all countries the weight of bullion contained in any specific quantity of coin issued at the mint is determined by law. At the English mint, a pound weight of gold is coined into 44½ guineas, which, at 21s. the guinea, is equal to 46l. 14s. 6d. or 3l. 17s. 10½d. per ounce. This is said to be the mint price of gold in England, or the quantity of coin which the mint returns for standard gold bullion. An ounce of gold, therefore, so long as it remains in the shape of coin, can never be worth more than 3l. 17s. 10½d. because while it retains that form, it cannot be legally tendered in payment for more than that sum. As soon therefore as an over-issue of currency has raised the prices of all commodities, and that of bullion among the rest, the weight of gold contained in any specific quantity of coin will sell for a higher *nominal* value in bullion, than it will pass for in the form of coin, or, as it is usually expressed, the market price

of bullion will exceed the mint price, and there will be a profit attending the conversion of coin into bullion proportionate to the difference of the *nominal* value. Accordingly, the conversion immediately takes place, requiring very little greater excess of the market price above the mint price than will pay for the fire that is to melt the coin. The operation is so simple, and requires so little apparatus, that it may be performed with the utmost secresy; and no penalties of the law, or vigilance of the officers of the Mint or Bank, have ever been found adequate to its prevention.

To account for this, there is no necessity for supposing a demand for bullion abroad. It is the conversion that prevents the currency from ever exceeding the due proportion that is wanted for the purposes of circulation; for it can* never exceed that proportion, without augmenting the *nominal* price of bullion, and affording, as long as there is a superfluous quantity, a profit to the melter.

It is true that the same conversion may take

* The reader will apply the proper limitation to this general assertion, which is not meant to convey the idea that the effect will be instantaneous, or that it may not be counteracted by other causes; but that the over-issue of currency will have this tendency; and that ultimately, the *nominal* price of bullion will be raised above its natural price, in proportion to the over-issue.

place, by exporting the coin to any foreign country, where it will be estimated according to its weight in bullion, and pass for its intrinsic value; and probably this circumstance has led so many writers to assign the capability of the transit of coin, as the reason why currency convertible into coin can never be depreciated by excess. But it is evident that, of the two modes of conversion, that by melting will be preferred, since it will be unattended by any expenses of transit. If the market price of bullion in London were 4 per cent. above its mint price, in consequence of the depreciation of currency, while at Hambro' there was no depreciation whatever, 100 guineas conveyed to the latter place would purchase the same value in commodities that 104 guineas would do in London; but as the expense of sending them would amount to 3 per cent.*, there would be a profit to the exporter of one guinea only; whereas the 100 guineas, melted in London, would immediately sell in the market for 109*l.* 4*s.*, leaving a clear profit of four guineas by the operation. It is absurd, then, to suppose that any man would expose himself to the penalties of the law, by exporting coin for a profit of 1 per cent., when with-

* The expense, as stated by Mr. Eliason, is 3*l.* 12*s.* 11*d.* per cent.---Evidence Secret Committee House of Lords, 1797, p. 96.

out subjecting himself to severer penalties, he might, by melting it, secure a profit of 4 per cent.

It is the melting, therefore, in consequence of the high market price at home, and not the export in consequence of a high *nominal* exchange, that will cause the disappearance of the coin. It is true, that after the melting has proceeded for some length of time, (unless indeed the melted coin be purchased for the purpose of being re-coined,) there will be a gradual accumulation of bullion beyond what may be wanted for consumption; and this abundance may render the commodity so cheap, that the bullion merchant may find his advantage in exporting it, in consequence of the difference of the *real* prices in the home and foreign markets. But this exportation is the effect of the melting, and not the cause of it. It is not a demand for the exportation of bullion that has caused the melting of the coin; but the coin being melted, to take advantage of the high *nominal* price of bullion, has lowered its real price so much, as to afford a profit upon its exportation. It is by no means necessary, however, that the bullion produced by the melting should be exported, since there may be a greater demand for bullion at home, for the purposes of manufacture, than there is abroad. The melter will always derive his profit by selling the melted coin at the high market price, which the bullion merchant will be equally ready to give, whether he sell to the home manufacturer, or the foreigner—whether, at the time, it may be effecting the import or the export of bullion.

A want of attention to this distinction, so essentially necessary towards a just conception of the principle, which regulates the quantity of currency and the increase of prices, has led to some very erroneous opinions respecting what is called the universal level of currency: for it has been maintained by many writers upon political economy, and implied by almost all, that specie leaves the country where it is depreciated in consequence of the inferiority of its value to the currency of other countries*; that if the currencies of

* This error pervades Mr. Wheatley's Work on the Theory of Money and Principles of Commerce. He was well aware of the fact, that specie is frequently exported in consequence of an unfavorable exchange; but as he does not admit of any alteration in the exchange, from the abundance or scarcity of foreign bills, (which is the real cause of the *export* of specie, when it does take place,) he attributed the effect, to the difference in the value of currencies; and thence inferred, that the export of coin was the remedy for its depreciation---a principle, that leads at once to the conclusion, that prices might be indefinitely augmented, if the currencies of all nations were proportionally increased.

Mr. Ricardo and Mr. Mushet have fallen into the same error, respecting the export of specie, and do not seem to be aware, that the alteration in prices, from over-issue or contraction of

other nations were depreciated in an equal proportion, there would be no advantage attending the export; and that upon the supposition of the currency being proportionally increased throughout the world, prices might be universally and indefinitely augmented; whereas the export has no relation whatever to the value of currencies in other countries, but arises entirely from the relative value of gold in the form of coin, and in the form of bullion.

The coin of this country, when sent abroad, passes only for its intrinsic value, according to its weight; and it will not be sent abroad from an unfavorable *nominal* exchange, unless its value in the shape of bullion is greater than its value in the form of coin. But the real value of bullion on the Continent is no more affected by the depreciation of the currency there, than it is here. If there be a profit upon the export of coin from this country at a time when the currency is depreciated here, and is not depreciated upon the Continent, there would be the same profit, if the currency of the Continent were depreciated also; for the market

currency, has no effect upon the exports and imports of ordinary produce; since they uniformly describe commodities as flowing from the nominally cheap, to the nominally dear market, without adverting to the counteracting effects of the *nominal* exchange.

price of bullion at which our exported coin would then be sold abroad, would be so much higher in proportion to the depreciation of the foreign currency. Suppose that the currency at London and Hambro' being in their due proportions, and the *nominal* exchange at par, the *real* price of bullion corresponds in both places with the English mint price. Let the currency at London be depreciated by over-issue 4 per cent.; the market price of bullion at London would then exceed the mint price 4 per cent.; and the nominal exchange would be unfavorable to the same amount. Under these circumstances, a merchant exporting 100*l.*'s worth of specie to Hambro', and drawing a bill upon his correspondent, would gain 1 per cent. by the transaction: for the specie, on its arrival at Hambro', where the market price of bullion, according to the hypothesis, corresponds with the English mint price, would sell in the bullion market for 100*l.* The English merchant would therefore draw for 100*l.*; and, foreign bills bearing a premium, would sell his bill in the English bill market for 104*l.*; which, after deducting 3 per cent. for the expenses of transit, would leave him a profit of 1*l.* per cent. Now suppose the currency at Hambro' to be also depreciated to the amount of 4 per cent.; the nominal exchange will then be at par, but the market price of bullion at Hambro' will exceed the English mint price 4 per cent. The 100*l.*'s worth of specie will sell at Hambro' for 104*l.*; the merchant will therefore draw upon his correspondent for 104*l.*; and the exchange being at par, will procure 104*l.* for his bill in the English bill market; and deducting 3 per cent. for the expenses of transit, he will obtain a profit of 1 per cent. as before.

It has been already demonstrated that bullion will not be exported under an unfavorable *nominal* exchange, merely in consequence of that exchange; and the reason why specie is exported under the same circumstances, is, that the coin, while it remains here, passes for less than its worth, and that abroad it passes for its real value;—in this country it forms a part of the currency, and partakes of the depreciation,—abroad, it passes as bullion, and is relieved from the depreciation. But it is quite clear that even in the export of specie, there would be no profit whatever, unless its depreciation were greater than the expenses attending its export; and therefore were there no other remedy for a depreciated currency than the export of specie, the *nominal* exchange might for any length of time continue unfavorable, to an extent somewhat less than the expenses of the transit of bullion. But the fact is, that no such continuance of unfavorable exchanges, even to that extent, can take place, so long as the currency is capable of being converted into bullion: for as soon as the depreciation is evinced by an elevation of the market price of bullion above the mint price, that moment the conversion of the superfluous currency commences; and it depends upon the comparative demand for bullion, in this country, and the demand upon the continent, whether the melted specie be exported or not.

It must be admitted, that, as soon as the depreciation has exceeded the expenses of the transit of specie, and thus afforded an option as to the mode of converting it into bullion, the foreign merchant, by buying abroad the bills upon England, which will necessarily be at a discount, and ordering his correspondent to whom he sends the bills, to invest them in English specie, will be enabled to procure bullion at the English mint price. So that as long as he can dispose of the bullion at that price abroad, he will derive a profit equal to the excess of the discount at which he has bought the English bills, above the expenses of the transit of specie. But it having been already shewn, that the profit on melting always exceeds the profit on exporting, by the amount of the expenses attending the export, it can never be believed that a merchant would collect the current coin, and by exporting it, subject himself to the penalties of the law, for the sake of obliging his foreign correspondent, and enabling him to acquire a profit of 1 per cent., when by melting the same coin, he

might himself, with less risk, obtain a profit of 4 per cent.

Again: if the *nominal* exchange were rendered favourable, 4 per cent. by a forced contraction of the currency, and the price of bullion were lowered with that of other commodities, so as to be 4 per cent. below the mint price; would any merchant purchase foreign bills at a discount of 4 per cent., and send them to Hambro' to be invested in foreign coin, for the sake of gaining 1 per cent. upon its import, when, by employing the same capital in the purchase of bullion in the home market, and converting it into coin at the mint, he would derive a profit of 4 per cent.?

The only case in which a superior advantage would be obtained from the export of specie, rather than from the conversion of coin into bullion, or from the import of specie rather than the conversion of bullion into coin, would be, when the over-issue or contraction of the currency had created a premium or discount of 4 per cent. on foreign bills, without producing an alteration of 1 per cent. in the market price of bullion. But it has been already shewn, that the nominal price of bullion is raised or lowered in the same manner as that of other commodities, to which it would otherwise no longer bear its natural relative value. Such an occurrence, therefore, if possible, can be but temporary, and does not affect the general argument.

Where the currency consists partly of coin, and partly of paper convertible at option into coin, it is for the same reason absolutely impossible that it can continue permanently in a state of depreciation: for should the Bank be so imprudent as to issue notes beyond the demands of increasing wealth, as soon as the augmentation of prices, and its consequent unfavorable *nominal* exchange, denoted the depreciation of the currency, the market price of bullion would exceed its mint price, and all that portion of the circulating medium which could be converted into bullion would begin to disappear. The paper of the Bank would be returned to be exchanged for coin, which would be immediately melted, and sold in the form of bullion, for notes, at the advanced nominal price. These, in their turn, would be sent to the Bank, to be in the same manner exchanged for coin, which would be melted and sold as soon as procured.

Now this process might be going forward, and continue to drain the Bank of its gold, without the slightest demand for bullion abroad, or without any demand for foreign payments. It would equally take place, though the country were receiving payments instead of making them—though it were importing bullion instead of exporting it. Should the Bank persist in its over-issue, and still endeavour to throw the same quantity of notes into circulation, the Directors would be compelled to

purchase bullion, and coin it into guineas, in order to supply the drain occasioned by the return of their notes; and, as Mr. Thornton states, "they will have to do this at the very moment when many are privately melting what is coined. The one party might be melting and selling, while the other is buying and coining; and each of these two contending businesses will be carried on, not on account of an actual exportation of each melted guinea to Hambro'; but the operation, or at least a great part of it, will be confined to London—the coiners and melters living on the same spot, and giving constant employment to each other.*"

Mr. Winthorp, in the evidence he gave before the Secret Committee of the House of Commons in 1797, (p. 46 and 47,) concluded that because there was a drain upon the Bank, there must necessarily be a drain upon the country; and stated his belief that the coffers of the Bank generally shew whether money is coming into or going out of the country." I should hope it would be unnecessary, after what has been already

* Thornton on Paper Credit, p. 125.

Mr. Thornton admits that the melting is not always connected with the export of bullion; but as the object of his Book was to shew that the currency was not depreciated, it was impossible for him to give even a plausible explanation of this part of his subject, without attributing the effect to an unfavorable *real* exchange.

observed, to offer any thing further in refutation of such opinions. The drain upon the Bank will begin under any circumstances, whenever the depreciation of currency from over-issue has raised the market price of bullion above its mint price, and it will continue, till the loss which the Bank must suffer by the purchase of bullion to supply the drain, shall compel the Directors to diminish the number of their notes, so as to bring back the currency to its natural level. The price of bullion will then fall to its mint price, and no longer afford a profit on being melted; the *nominal* exchange will invariably mark the amount of the depreciation during its continuance, and when the depreciation ceases, the *nominal* exchange will rise to par.

The adoption of a paper currency, therefore, can never be injurious to a country, so long as it is convertible at option into specie. The temptation to its over-issue will always be sufficiently checked by the principle that has been just explained; and, independently of the convenience of making the larger payments, it will certainly be advantageous to carry on the circulation of a country by a cheap, rather than a costly, machinery.

It is obvious, that as the nominal prices of commodities will be increased by the over-issue of currency, so, for the same reasons, the contraction of it below the natural wants of circulation, will diminish the *nominal* prices in the same

proportion. A smaller quantity of currency will measure the same value, and the nominal exchange will be favorable to the country where the value of the currency is increased. This is an event that does not often occur; for as the profits of a bank that issues paper-money depend upon the quantity it can circulate, the directors of the establishment will generally take care that the supply shall not be less than the demand. When the market price of bullion, however, has from any cause been elevated above the mint price, the Bank has always the power of giving the currency an artifical value by a diminution of its total amount; and it is evident that by such a diminution, the price of bullion will be lowered in the same proportion as that of any other commodity. Bullion will then be of less value in the market than in the form of coin, and the merchant will carry it to the mint, to obtain the profit attending its conversion into specie. If, under such circumstances, there should be a demand for bullion for the purpose of exportation, this would evidently occasion no drain upon the Bank, while it could be procured at a cheaper rate in the market, and should the demand for exportation continue so long as to raise the price of this commodity, in consequence of its scarcity,* the

* The scarcity here spoken of refers only to the partial scarcity

Bank would always have the power by a greater contraction of its currency, to lower its *nominal* price, and thus preserve the superiority of its value in the form of coin over its value in the shape of bullion. It is thus that the value of the currency is made to correspond with that of the precious metals of which it is composed, or into which it is convertible; and as long as they continue to be the standard by which the value of other commodities is estimated, the circulating medium of the whole mercantile republic will suffer no permanent alterations, but what arise from the variation in the intrinsic value of the precious metals themselves.

It is some proof of the truth of these positions respecting the uniformity of the value of currency, that from the period of the reformation of the gold coin in 1774, to the year 1797, the *computed* exchange between London and Hambro' was generally in favor of the former, arising, probably, from the superiority of our coin; and that it seldom varied, except in 1793, more than 5 per cent. on the one side or the other of par. In

arising in particular countries from the temporary unequal distribution of bullion, and not an actual scarcity arising from a permanent diminution of the usual quantity produced at the mines.

that year the *computed* exchange rose to 11 per cent. in favor of this country, owing to the sudden contraction of currency that took place in consequence of the run upon and failure of the country banks, at the breaking out of the French revolutionary war, which had the effect of raising the *nominal* value of the currency here to the degree indicated by the favorable exchange. During the whole of this period, the market price of bullion never exceeded its mint price, except in the year 1783, by the very trifling amount that has been already specified; and in the year 1795, when the Bank had extended its paper from less than 11 to upwards of 13 millions and a half.

After this review of the subject, and the strong evidence which presents itself that the currency of a kingdom, whether consisting of coin only, or partly of coin and partly of paper, can never be augmented beyond its due proportion, so long as the paper is convertible at pleasure into specie—can any one for a moment doubt of the result, should this salutary check be removed, and at the same time the paper currency be made a legal tender for the payment of debts*?

* By the Restriction Act, Bank notes are not absolutely a legal tender; but if a tender be made in notes, the debtor cannot be arrested.

Without this latter provision, motives of prudence might induce the Bank so to restrain its issues, as not to create an open discount upon its notes, and thus introduce a paper and a money price for commodities; but under the protection now afforded by the Restriction Act, there is no reason why it should not push the issue of this currency to the utmost possible limit, and particularly if there be a confidence in the public, that sooner or later the notes will be convertible into gold. There is no doubt, that with respect to the Bank of England this confidence is strongly felt by the public, and with good reason. Bank of England notes are never issued but for a valuable consideration, being principally advanced either upon Exchequer bills or in discounting the bills of merchants. Unless, therefore, the government is unable to redeem the former, or the merchants should be incapable of paying the latter when they become due, there must always be sufficient funds in the Bank to answer the demands upon it*. The depreciation from over-issue is therefore by no means necessarily connected with any want of confidence in the resources of the Bank, but rests upon an en-

* There must in fact be more than sufficient, since the value of the outstanding notes must be less than that of the bills upon which they were issued, by the amount of the interest deducted at the time they were discounted.

tirely different foundation, and might equally take place, whether the currency consisted partly of coin and partly of paper, or was composed entirely of the former: for it is not the paper only, but the whole currency, both the paper and the coin, so long as it remains in the form of coin, that is depreciated by over-issue. But as the latter is convertible into bullion by melting, it will be consigned to the crucible, for the purpose of removing the depreciation that it suffers, while it constitutes a part of the currency.

The advocates for the Bank restriction triumphantly ask, how it is possible that the notes can be depreciated, if 100*l.* in bank notes will purchase as much as 100*l.* in specie: but the question, as applied to the depreciation of the currency, is absurd; for the notes and the coin are alike depreciated*, and therefore exchange, as before, for the

* This opinion is controverted in the Edinbro' Review, No. 25, p. 54, apparently under an idea that, as the price of gold and silver is nearly the same in all the countries of the world, a depreciation of the current specie in this country must necessarily be accompanied by a corresponding depreciation of the currency of all nations upon the face of the earth. But there is a material distinction between the depreciation of the specie, and the depreciation of the gold and silver that forms the specie. The first may be effected by the over-issue of the Bank, but that can have no influence on the *real* value of the bullion, which the specie contains. As an *argumentum ad hominem* against Mr. Thorn-

same quantity of produce in the market. But their intrinsic value is not the same, because guineas being convertible into bullion, the one may be relieved from its depreciation by a change in its form; whereas the other cannot*. This conversion is constantly going on, and must continue till not a piece of coin is left in circulation,

tion, it is indeed conclusive, because he imagines the remedy for a depreciated currency consists in the exportation of coin to other countries, where it is not so depreciated. It would be impossible, therefore, for the specie to continue permanently degraded, upon his principles, unless the value of the currency of every other nation were equally so. But it has been shewn that the remedy for depreciated currency from over-issue depends on its conversion into bullion, and not upon its exportation.

The gold and silver currency may therefore fall in value below the level of the currency of neighbouring states, but this cannot be the case with the gold and silver of which it is composed.

* As long as the bank note for a guinea is convertible into gold bullion, at the option of the holder, its intrinsic value may be said to be the same as a guinea. Take away the convertibility, and the intrinsic value of the note is the value of the ink and paper of which it is composed. No banking operation, nor legislative provision, can ever alter the real value of the gold bullion in a guinea; but the number of nominal pounds to be given for that quantity of gold bullion, may be increased in the proportion that the total number of pounds in the currency is increased beyond what is wanted.

unless its weight be so much reduced below the standard as not to be worth the melting. The disappearance of the coin is the proof of its depreciation. The reason why the ordinary shopkeeper does not make a distinction between the payments made to him in gold, and those which he receives in paper, is the confidence he feels that at some time or other the notes will be paid ~~in specie, and that he is in the meantime deterred~~ by the penalties of the law from melting the guineas,—the only mode by which he can derive a superior profit from a payment in coin. But the occupation of melting the specie is nevertheless followed by a less scrupulous class of the community, who have not hesitated to give a premium for guineas, whenever an opportunity offered of purchasing them, and of profiting by their conversion, without danger of detection*. But the difference in the intrinsic value of the notes and the guineas is not the less real, because it cannot openly be avowed. If the coin were allowed by law to be melted, if the penalties for this offence were less severe, or if guineas could be collected without exciting the suspicion of the officers of the Bank

* An instance of this has recently come before the public, in consequence of an information against a person charged with selling guineas for more than they are allowed to pass for by law.

and the Mint, neither the Restriction Bill, nor the provision that bank notes may be tendered as legal payment, would prevent a paper and a money price for commodities, and consequently an open discount upon bank paper.

The drain upon the Bank, in the year 1797, is allowed by all the Directors to have arisen from the alarm of invasion. The market price of bullion was, at the time, below its mint price; the exchange with the Continent was in favor of London; and therefore all the causes, that are usually assigned, as creating a drain upon the Bank, were operating in a contrary direction. The alarm originated, according to the evidence given by Mr. Burdon, one of the proprietors of the Newcastle bank, before the Secret Committee in 1797, from the orders that had been issued for taking an account of the stock of the farms of Northumberland, for the purpose of regulating the mode in which the county was to be driven, in case of invasion. The farmers immediately sold their produce at very low prices, and the notes which they received from the purchasers were poured in upon the persons by whom they were issued, to be exchanged for specie; in consequence of which, the banks at Newcastle were obliged to stop payment, and their failure was followed by a similar run upon the country banks throughout the kingdom, many of which were in like manner obliged to stop.

The alarm was communicated to the metropolis, and occasioned a drain upon the Bank, which had already been called upon for considerable advances, in consequence of the run upon the country banks. The distress of the mercantile class, from the great extent of the failures, and the general distrust they occasioned, aggravated by a violent, and therefore improvident, contraction of the usual quantity of bank paper, combined to produce that crisis which terminated in the restriction of cash payments at the Bank. It is unnecessary now to enquire how far this restriction at the time was politic or otherwise. It probably was a measure of prudence; but as the evil was temporary, so also ought to have been the remedy. It might have been expected, that the complete relief of the merchants, and the returning confidence of the people, would have been considered as the signal for discontinuing a law, which has given the Bank Directors a power of permanently altering the value of the circulating medium of the country. It has, however, been decided otherwise; and the consequence has been, that as the fears of the Bank Directors have been dispelled, the quantity of currency has been gradually increased, and has produced all those symptoms, which any person acquainted with the theory of money and exchange would easily have anticipated;---an augmentation in the price of commodities, an increase of the market price of bullion over the mint price, and an unfavorable *nominal* exchange.

The effect of the over-issue of bank-notes upon the *computed* exchange may be visible from comparing the amount of the notes in circulation in the years 1795 and 1797, with the *computed* exchange at the same periods. The amount was augmented in February 1795, to 13½ millions*, and the exchange between Hambro' and London, which was then 6 per cent. above par, fell, before September, to 3½ per cent. against England. In February 1797, the paper in circulation was reduced to 8½ millions, and the exchange between Hambro' and London rose to 6*l.* 18*s.* per cent. in favor of England. By the last returns presented to Parliament, it appears that the bank notes now in circulation amount to 21 millions, the market price of gold in November was 15*l.* 8*s.* 2*d.* per cent. above the mint price, and the exchange between Hambro' and London 16*l.* 18*s.* per cent. against England.

Should any one still be sceptical on the subject, a short survey of the mode in which the business of the Bank is conducted will probably remove his doubt. It has been already shewn, that so long as its notes are convertible at option into specie, a bank can never permanently keep in circulation more paper than the wants of the country require. But it is not perhaps quite so clear, in what manner the over-issues of a bank that is

* Secret Committee of the House of Lords in 1797, p. 176.

not liable to be called upon for cash payments, will augment the *nominal* prices of all commodities.

The notes of the Bank of England are issued to the merchants who are in want of money, on the security of bills of exchange of not more than 60 days date, which are brought to the Bank for discount.

On the receipt of the bill, the Bank gives to the merchant an equal amount in notes, deducting the interest at the rate of 5 per cent. When the bill is due, the Bank presents it for payment, and receives the amount in full, deriving a profit from the transaction equal to the interest of the notes for the time. The oftener this process can be repeated, and the greater the amount of the notes it lends, the greater will be its profits.— Now it is evident, that if the purchases of the merchants could be effected by their own bills, it would be unnecessary for them to apply to the Bank for discounts; this application, then, is of itself a decisive proof that the bills of private merchants will not pass in the market with the same facility as the bills of a national Banking Company. The conversion, therefore, of the bills into notes is an increase of currency, which could not take place without the assistance which a Bank affords.

Now the merchant regulates the scale of his transactions by the amount of the capital he can command. The greater the extent of this capital, the larger the profits he will expect to derive from its employment. If he can make a profit of 10 per cent. by his business, he will always be willing to extend it by borrowing capital, for which he is to pay an interest of only 5 per cent. Here then are two parties exactly suited to the supply of each others wants, and co-operating from mutual interest towards the same object. The profits of the Bank are in proportion to the paper currency it can lend, and the expected profits of the merchant are in proportion to the paper currency he can borrow. Under such circumstances it is idle to talk of the Bank Directors having the power to contract their discounts when they perceive there has been an over-issue, unless a motive can be shewn for the exercise of that power. While the Restriction Act is in force, the only rule of their conduct will be the validity of the bills that are offered for discount, and they are bound by the duty they owe to the Bank Proprietors who appoint them, to profit by the facilities thus imprudently granted by the government, and to employ to the greatest possible advantage the funds of which they have the disposal.

It is equally idle to say that the merchant will not employ all the capital he can command, or

that his credit will enable him to borrow*. By the facilities that are now given to discounts, the merchants can always, either by immediate application to the Bank by means of their bankers, or, if in the country, by the intervention of the country banks, coin their credit into currency, which will operate upon the markets wherever it makes its appearance: for the prices of any given supply of produce will depend upon the number of purchasers, and the extent of the capital they can command. The more easily capital can be procured, the greater will be the competition in the market. Whenever the prospect of a profitable speculation offers, merchants will be eager to embark in it, and the demand, which, under ordinary circumstances, would be regulated by the amount of *real* capital capable of being diverted into that channel, will now be augmented in proportion to the *fictitious* capital, called into existence by the facilities

* See a whimsical pamphlet published by Mr. Smith on the Theory of Money. He asks, would bankers and merchants apply to have good bills discounted at the Bank, if bank notes were depreciated? The answer to which is obvious. The depreciation in no way affects the dealings of the merchants; who buy and sell at the high *nominal* prices, and whose profits are nominally increased in the same proportion as money is depreciated.

afforded from the Bank discounts; and thus an over-issue of notes will immediately take place, creating an additional number of purchasers, or increasing their powers of purchasing in proportion to the over-issue. If the increased currency be employed in a foreign speculation, it immediately acts upon the foreign bill-market, and creating there a fictitious demand, it affects the *nominal* exchange; if it be employed by the bullion-merchant, it raises the market price of that article; if by the home dealer, it augments the prices of native commodities. No sooner has it left the merchants by whose means it was called into existence, than it passes to the wholesale dealers and master manufacturers, who, in their turn, will raise the prices in their respective markets by a competition which is called into action merely by the over-issue.

If the evil were confined to the increased quantity of currency thus thrown into circulation by the Bank of England, it might not be attended with injurious consequences of such magnitude as are now experienced: but the misfortune is, that the same law which protects the National Bank, and enables it thus to derange the natural state of the circulating medium, confers the same power on all the country banks throughout the kingdom, which are now relieved from the fears and inconvenience to which under ordinary circumstances

they would be subject, should they at any time be tempted to issue their notes beyond the amount which the wants of their respective districts might require.

The country banks are, in the same manner as the Bank of England, enabled to supply their respective connexions with funds for speculation. If the excess of their paper should at any time excite doubts of their solvency, and create a run, they may be supplied by their correspondents in London with notes from the great central paper mint; and thus are all the lesser establishments throughout the kingdom absolved from every difficulty. They issue their notes almost without limit, and by these means enable the country dealers to enter into speculations and purchases, which, without their assistance, could never have been effected. Can any one then be surprised that prices should rise, when every addition of currency is attended with profit to the Bank by which it is issued; and that there can never be an additional issue of currency without creating additional purchasers to the same amount? ×

An objection has been urged against this view of the subject, which deserves to be noticed. It has been stated, that if only such bills are discounted at the Bank, as have been drawn in consequence of *bonâ fide* commercial transactions, no additional currency is thrown into circulation, more than the

× to a much greater amount

wants of the mercantile community require; that the bills so discounted are the representatives of the property, by the transfer of which they are created; and thus a distinction has been attempted to be drawn between real and fictitious bills; or, as the latter are more generally termed, bills of accommodation. But it will not require much consideration to perceive that this, as far at least as concerns the over-issue of currency, is a distinction with little, if any, difference. Mr. Thornton has well observed, that "notes given in consequence of a real sale of "goods cannot be considered as on that account "certainly representing any actual property. "Suppose that *A.* sells 100*l.* worth of goods to *B.* "at six months credit, and takes a bill at six "months for it; and that *B.* within a month after, "sells the same goods to *C.* at a like credit, tak-"ing a like bill; that *C.* after another month, "sells them to *D.*; and so on: there may, at the "end of six months, be six bills of 100*l.* each, "existing at the same time, and every one of "them may possibly have been discounted. Of all "these bills, then, one only represents any actual "property. If the credit given be a credit of twelve "months instead of six, 1200*l.* instead of 600*l.* "would have been the amount of the bills drawn "on the occasion of the sale of goods, and 1100*l.* "would have been the amount of those that repre-"sented no property." In order to justify the sup-

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"position that a real bill represents actual pro-"perty, there ought to be some power in the bill-"holder to prevent the property which the bill "represents from being turned to other purposes "than that of paying the bill in question.*"

Now had these bills never been discounted, their circulation would have been confined to those persons only, with whom the parties, whose names appear on the bill, had credit; and their effect upon the general currency of the country would in such case have been exceedingly limited, compared with that which they have in the more negotiable form of the notes of a Banking Company.

"One of the motives of the seller who desires to "have a note for goods sold, is, that he may engraft "on the transaction of the sale the convenient con-"dition of receiving from the buyer a discountable "note of the same amount with the value of the "goods. A fictitious note, or note of accommoda-"tion, is a note drawn for the same purpose of being "discounted, though it is not sanctioned by the cir-"cumstance of its having originated in an actual "sale of goods †." The Bank of England professes to refuse the discounting of any bills except those drawn for *bonâ fide* mercantile considerations; and so far as their own interests are concerned, it may

* Thornton on Paper Credit, p. 30. † Ibid.

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be a very proper and highly prudent regulation; but to the public, it is of little moment upon what degree of security the Bank may think right to lend its notes; nor can the Directors, with all their vigilance, discriminate between real and fictitious bills. Whether real or fictitious, their conversion into notes will alike augment the currency of the country, which, without the check that has been pointed out in the foregoing pages, may be increased in an unlimited degree. In the case of the real bill, a *bonâ fide* transaction takes place prior to its being converted into currency, in consequence of a credit subsisting between the drawer of the bill and the seller of the goods. In the fictitious bill, for want of that credit between the drawer and the seller, the conversion of the bill into currency takes place in the first instance, and the *bonâ fide* transaction follows.

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From what has been stated, the distinction between the *real* and the *nominal* exchange will be sufficiently apparent;---they have been found to differ most essentially, both in their causes and effects.

The *real* exchange has been proved to depend upon the proportion between the foreign payments which a country has to make, and the payments it has to receive.

The *nominal* exchange depends upon the comparative value of currencies.

The *real* exchange has an immediate effect upon the exports and imports.

The *nominal* exchange, whether favorable or unfavorable, has no effect whatever upon exports and imports.

An unfavorable *real* exchange, if its rate be sufficiently high, will cause an export of bullion, and may, under peculiar circumstances, lead to a drain upon the Bank.

An unfavorable *nominal* exchange, whatever be its rate, will not necessarily lead to any export of bullion, but will immediately cause a drain upon the Bank, for the conversion of coin into bullion.

When the market price of bullion exceeds the mint price, in consequence of its export from an unfavorable *real* exchange, the currency is not depreciated, for it bears the same relative value to all other commodities; it is the *real* price of bullion that is raised, from a temporary scarcity.

When there is an excess of the market price of bullion above the mint price, together with an unfavorable *nominal* exchange, the *real* price of bullion is not altered, for it bears the same relative value to all other commodities; it is the currency that is depreciated, from a temporary abundance.

The *real* exchange cannot be permanently favorable or unfavorable, whatever be the state of the currency.

The *nominal* exchange may continue for any length of time favorable or unfavorable, provided the value of the currency continues to be depreciated.

Now the *computed* exchange depends upon the combined operations of the *real* and *nominal* exchange; and unless the distinctions just pointed out are kept constantly in view, it will be impossible to reconcile the contradictory results to which it appears to give rise.

OF THE COMPUTED EXCHANGE.

THE *computed* exchange is determined by the fluctuations of the price which a foreign bill bears in the market, but affords no criterion by which to distinguish whether those fluctuations arise from variations in the state of the *real*, or of the *nominal* exchange. As these are perfectly independent of each other, it is evident that if both are favorable, or both unfavorable, the *computed* exchange will denote their sum; but if the one is favorable, while the other is unfavorable, it will express their difference, and may be at par, though neither the

real or *nominal* exchange are so, provided the unfavorable state of the one be counteracted by the favorable state of the other. Now let any one for a moment consider, what different phœnomena would present themselves under an apparently similar state of the exchange, according to the mode in which that similarity was produced. For the *computed* exchange would be at par, if the *real* and *nominal* exchange were so; that is, if the supply of foreign bills were equal to the demand, and the currencies of other countries of the same value with our own, in which case the exports and imports would proceed in their ordinary course.

It would be at par, though the *real* exchange were unfavorable in any degree, if the *nominal* exchange were favorable in the same degree; that is, if the high price of foreign bills, arising from their scarcity, were counteracted by the superior value of our currency over that of other countries. In this case the unfavorable *real* exchange would induce an increased exportation and diminished importation;—it would occasion a demand for bullion for exportation, without creating any drain upon the Banks, because from the contraction of the currency, the market price of bullion would be below the mint price. Ordinary produce would be cheap, the *real* exchange would be gradually restored to par by the operation of the exports and imports; and the *nominal* exchange would be raised to par by the conversion of bullion into coin.

The *computed* exchange would also be at par, though the *real* exchange were favorable, provided the *nominal* exchange were unfavorable in a similar degree; or, in other words, provided the low price of foreign bills, arising from their abundance, were counterbalanced by the depreciation of our currency compared with that of foreign countries. In this case there would be a diminished export and increased import, arising from the favorable state of the *real* exchange, attended with an influx of bullion; but there would at the same time be a drain upon the Bank, in consequence of the market price of bullion exceeding the mint price, from the over-issue of currency. Ordinary produce would be dear; the operation of the exports and imports would gradually restore the *real* exchange to par; and the *nominal* exchange would return to the same level by the conversion of the superfluous currency into bullion.

Again, the *computed* exchange might be in favor of a country, under very opposite states of the *real* and *nominal* exchange. Thus it would be 2 per cent. in favor of this country, if the *real* exchange were 3 per cent. above, and the *nominal* exchange 1 per cent. below par. It would also be two per cent. in favor of this country, with a favorable *nominal* exchange to the amount of 3 per

cent. and an adverse *real* exchange of 1 per cent. In the same manner, an adverse *computed* exchange might be shewn to arise from very opposite states of the *real* and *nominal* exchange*; and it would be easy to point out, under any given circumstances, in what manner the merchant would derive his profit from the produce he was engaged either in exporting or importing. Suppose, for instance, the *computed* exchange between Hambro' and London to be 1 per cent. against this country, and that this arises from a *real* exchange which is favorable to the amount of 4 per cent. and a *nominal* exchange unfavorable to the extent of 5 per cent.; let the *real* price of bullion at Hambro' and

* Mr. Wheatley, who assigns the relative values of currencies as the exclusive cause of the fluctuations in the *computed* exchange, has endeavoured to prove, that the rate of exchange has constantly corresponded with the relative issues of currency. But the tables published by Lord King and Mr. Mushet furnish abundant proof of fluctuations in the exchange, without a corresponding alteration in the currency. Since the year 1797, when the correcting principle of the *nominal* exchange was removed in consequence of the Bank Restriction Act, there is, as might be expected, a general coincidence between the increase of bank notes in circulation and the adverse *computed* exchange; yet even within that period, there have been considerable intervals when the *computed* exchange between Hambro' and London has been in favor of the latter, and that, too at the time when the greatest issues of currency recorded in Mr. Mushet's tables took place, viz. in May 1804, and January 1805.

London be precisely the same, and consequently the *nominal* prices different by the amount of the *nominal* exchange or 5 per cent. Now if the expences of freight, insurance, &c. on the transit of bullion from Hambro' are 3 per cent. it is evident that a profit would be derived from the import of that article, notwithstanding the *computed* exchange was 1 per cent. against us. In this case the merchant must give a premium of 1 per cent. for the foreign bill to pay for the bullion;---100*l.* worth of bullion at Hambro' would therefore cost him 101*l.* and the charges of importation would increase this sum to 104*l.* Upon the subsequent sale, then, for 105*l.* of depreciated currency in the home market he would derive from the transaction a profit of 1*l.* This sum is precisely the difference between the *real* exchange and the expenses of transit, that part of the *computed* exchange which depends upon the *nominal*, producing no effect; since whatever is lost by its unfavorable state, is counterbalanced by a corresponding inequality of *nominal* prices.

In the same manner it might be shewn, that with a favorable *computed* exchange, bullion might be flowing out of the country; but it would be tedious to multiply instances, which, as the intelligent reader will easily conceive, may be infinitely varied. Those which have been now adduced are sufficient to shew, what contradictory conclusions

may be drawn from any given rate of the *computed* exchange, and how impossible it is, from that alone, to determine either the relative value of currencies, or whether, what is usually called the balance of trade, be favorable or unfavorable to a nation*.

* A singular instance of the confusion arising from a want of attention to these distinctions occurs in the following passage from the fifth Number of the Quarterly Review: "Mr. Thornton "having used the following expression---'If at any time the 'exchanges of the country become so unfavorable as to pro- 'duce a material excess of the market over the mint price of "gold.'---'Mr. Ricardo comments on this representation by "concisely saying, 'Here the cause is mistaken for the effect.' "Mr. Thornton seems to us indisputably correct; not but that "the unfavorableness of the exchange, and the rise in the bullion "price of gold, alternately act as cause and effect; but the "former may, in some cases, not improperly be said to precede "the latter, and it certainly does so in the case of a bad harvest, "of which Mr. Thornton is speaking in this case." P. 157.--- Here it is evident that Mr. Thornton's observation, if confined to the *real* exchange is correct. Mr. Ricardo's comment, if limited to the *nominal* exchange, may also be considered as correct; though it would have been more accurate to have stated, the unfavorableness of the exchange, and the excess of the market over the mint price of gold, both, as effects of the depreciation of the currency; and the Reviewer may be correct, if his observations are intended to apply to the *computed* exchange. The apparent contradictions arise from confounding the *real*, the *nominal*, and the *computed* exchange, under the general, unqualified term, exchange.

The merchant, by knowing the *computed* exchange, and the current prices in the home and foreign market, and without any acquaintance with the theory of exchange, or the principles which regulate it, will always have sufficient practical data to guide him in his commercial transactions; but the statesman should beware in making general legislative provisions, that he is not misled by the partial statements of men, whose individual interests are frequently in direct opposition to the general welfare of the country.—This remark is not meant to convey any illiberal insinuations against a most useful and respectable class of the community; but experience sufficiently proves that self-interest gives a bias to the mind, which, without its being conscious of the influence, will mislead and pervert the judgment.—Perhaps a more than ordinary degree of caution is requisite, in this commercial country, where there seems to be a prevailing opinion, that the riches of the merchants are evidence of the benefits that the nation derives from its foreign trade; it being forgotten, or unnoticed, that the profits of that class of persons are derived from the pockets of their countrymen; and that the advantages of foreign commerce consist in the stimulus it gives to the increase of the produce of the land and labour of the country; and to the opportunity which it affords, of exchanging the surplus produce thus

called into existence for an equivalent, and only an equivalent produce, collected from every climate, and materially contributing to the enjoyments and the comforts of the community.

Of the Effects of the Depreciation of the Currency on the Expenditure of Government, and on the Interests of the different Classes of the Community.

The foreign expenditure of government being principally discharged by the remittance or the draft of bills, must be subject to the premium or discount in proportion to the *computed* exchange. Whatever be the amount of that expenditure, it will always be effected with greater or less advantage, according as the computed exchange is favorable or otherwise. It is of no consequence, so far as the disbursements of the Treasury are concerned, in what way the foreign expenditure is ultimately discharged by the country: for as long as bills are made use of, as the immediate mode of payment by the government, so long must the government, whenever the *computed* exchange is unfavorable, pay the premium for foreign bills, or submit to the discount upon its own;

and so long, on the other hand, will it derive the advantage of the discount on foreign, and the premium on its own bills, whenever the state of the *computed* exchange is in favor of the country. It is therefore most essential to the interests of government, that the *computed* exchange should at all times be as favorable as possible. Now this can only be produced by a careful attention to the state of the currency, and its effects upon the *nominal* exchange; for the circumstances that affect the *real* exchange are not, at all times, within its controul.

Bad harvests and deficient crops will always create an encreased and unusual importation; and in the same degree, a demand for foreign payment. This will eventually, indeed, be discharged by an increased exportation; but in the mean time, and during the continuance of the pressure, the *real* exchange will become unfavorable, and will continue so till the consequent bounty upon all exported, and the duty upon all imported, commodities, shall restore it to par.

The *nominal* exchange, on the contrary, is completely within the controul of government, and can never be either permanently favorable or unfavorable, so long as the legislature exercises a due degree of vigilance over the state of the circulating medium. If the coin, in which the legal payments of the country are made, is not degraded, and the

paper is convertible at option into specie, it is impossible that the currency can ever be reduced below the almost uniform value, which the precious metals preserve among the different nations of the earth; because the depreciation of the currency will always be prevented, by the conversion of any superfluous quantity of it into bullion.

Should the legislature be induced by temporary circumstances to interfere with this regulating principle, and restrict the issuers of notes from the obligation of paying in specie, the consequences are easily foreen, and must soon be felt. There will be no longer any limit to the depreciation of the currency; the *nominal* exchange will continue permanently unfavorable, and will render the *computed* exchange so much the less favorable, or so much the more unfavorable, in proportion to the extent to which the currency may have been augmented beyond its natural amount.

The government, under these circumstances, will be utterly unable to relieve itself from the loss which must be incurred upon the total amount of its foreign expenditure, in whatever mode it is discharged; for the *nominal* exchange has a very different effect on the foreign payments of the state, and those of merchants in the course of their commercial transactions. The exporting merchant gains a premium on his bill equivalent to the *nominal* exchange, and by that advantage is repaid, what would be otherwise lost in the high price he must give for his goods here, and the low price at which he must sell them abroad;—he derives no profit, and he suffers no loss. The importing merchant gives a premium for the foreign bill with which he pays for the produce he imports, but is repaid by the high *nominal* price at which he sells the produce at home. He also derives no profit, and sustains no loss.

But the government has no means of repaying itself for the loss occasioned by the *nominal* exchange. The equivalent is received abroad, and consumed there; and the bill for which the premium has been given will purchase precisely the same quantity of produce, whatever may have been paid for it here. Neither would the situation of government be altered, if, under an idea of saving the *nominal* exchange, it were induced to export commodities for the immediate supply of its armies, or its foreign establishments; for independently of the expenses of the transit, it would lose the whole amount of the *nominal* exchange, in the high prices at which the commodities would be bought in the home market. If bullion could be procured, there would still be the same loss; first, in the expenses of the transit; and secondly, in the high market price at which it must be bought here, while abroad it would pass for no more than its intrinsic value.

Without access to the documents and vouchers of government, there is no very accurate mode of estimating the amount of the foreign expenditure; but some approximation to it may be made, by a comparison of the exports and imports. It has been already observed, that the foreign expenditure of a country can only be discharged by the export of commodities to an equal amount; and as the equivalent is received and consumed abroad, it follows, that in every country where there is a foreign expenditure, the exports must exceed the imports to that extent:—the larger the expenditure, the greater will be the excess of exports over imports. From this acknowledged truth, the inference seems very obvious, or at least there is strong presumptive evidence to lead to this conclusion, that if a foreign expenditure cause an excess of exports over imports, an excess of exports over imports will denote a foreign expenditure.— Yet even at this day there are not wanting men in the Cabinet, in the Senate, and among the best-informed classes of society, who still adduce as a proof of the gains, that are made by foreign commerce, this same excess, which indicates expenditure, and not receipt*. Mr. Pitt was continually

* The same inference has been drawn, from the excess of exports, by the present Chancellor of the Exchequer; while these

vaunting of the resources of the nation, as evinced by this circumstance; and Mr. Rose, in his "Brief

sheets have been passing through the press. See his speech upon opening the budget.

The gradual increase, both of the annual imports, and exports, has been frequently adduced as a decisive proof of the flourishing state of our commerce—a conclusion that may be exceedingly fallacious. The *nominal* value of the exports and imports will in some degree keep pace with the increase in the *nominal* price of commodities, and will swell the apparent amount of merchandize exported and imported, without any material addition to the actual quantity. That the present increase arises principally from this cause, is rendered more than probable, by a comparison of the relative amount of tonnage employed for the transport of that merchandize, in the years 1807 and 1809. The following table is drawn up from the returns made to the House of Commons, January 30th and March 24th, 1810:

Tonnage of Vessels, British and Foreign, including their repeated Voyages, in the several Ports of Great Britain, from and to all Parts of Europe.

Year ended 5th Jan..	Inwards, Tons.	Outwards. Tons.
1808	944.282	811.255
1810	882.255	814.811

Official Value of the Imports and Exports for three Quarters, ending the 10th of October.

Year.	Imports.	Exports.
1807	19.717.396	22.464.875
1809	29.000.782	39.824.104

As the nature of the commodities is specified in the returns,

Examination," states, with the same view, the annual balance of trade in favour of this country at 14,800,000*l.* Mr. Necker, acting upon similar principles, estimated the annual balance in favor of France at 3,000,000*l.*; and all other countries have in like manner prepared official statements of exports and imports, and boasted of a favorable balance *. Those, who have entered into the spirit of the observations upon the *real* exchange, will think it unnecessary that I should dwell upon these absurd opinions respecting a balance of trade, either favorable or unfavorable to a nation; it being evident, that, though at any particular mo-

and does not appear to vary materially, as to the proportions of value and bulk in the respective years, the equality in the amount of tonnage employed, is conclusive, that the apparent increase of trade is in a great measure *nominal.*

* "There is no mine, however productive, that could supply "the necessary stores for the balances that are claimed by the "different nations of the world. One country claims a balance "of 14,800,000*l.* and another of 5,000,000*l.* another of 3, "and others of 2 and 1, to the aggregate amount of nearly "40,000,000*l.* annually; and as all assert their commerce to be "favorable, it is obvious that their collective balances must be "paid by a continual influx of bullion from the mines corre-"spondent with their amount; but the annual produce of the "mines of the world does not exceed 7,000,000*l.*" (Wheatley, on the Theory of Money, p. 139.)

ment there may have been more produce sent from a country than has been received in return for it, and that bullion does occasionally pass to liquidate the balance, this happens merely in consequence of a derangement of the usual commercial exchanges, and the bullion must eventually again leave the country into which it flows, unless detained there by the wants of the people, either for the purpose of ornamental manufacture, or an extended currency, in consequence of increased wealth.

All trade, whether foreign or domestic, consists in an exchange of equivalents. Gold and silver will be sent as the equivalent, when gold and silver are wanted for use. The hardware and woollens of England are exchanged for the silks and the wines of France, because these are more desired than the bullion of France. If it were the taste of the people of England to use gold and silver for their ordinary utensils, the bullion of France would be demanded as the equivalent. But they prefer the wines and silks, and rather than forego these luxuries, are content with utensils formed of coarser materials. When the exports exceed the imports, (as they must do, when there is a foreign expenditure, the equivalents for the excess are received "abroad in as full and ample a manner, as if the "produce which they purchased were actually imported and entered in the Custom-house books,

"and afterwards sent to the seat of war for "consumption. But from the circumstance of "its not being inserted in the Custom-house "entries as value received against the produce "exported for its payment, the latter is deemed "to constitute a favorable balance, when it is in "reality exported to liquidate a balance against "us*."

Notwithstanding, therefore, the inaccuracy of the Custom-house returns, and the difficulty of ascertaining the actual value of the imports and exports,---notwithstanding that the imports from the East and West Indies are confounded with the imports arising from trade, when in fact they are merely remittances; the one, of territorial revenue invested in produce; the other, of rents and profits remitted to absentee planters resident in this country;---notwithstanding also, that the contraband trade introduces an immense quantity of commodities, which do not appear in the Custom-house returns; yet as the inaccuracies of one period are probably neither much greater nor less than those of another, if the ratio of the excess of exports to the foreign expenditure in one year, is known, it is fair to conclude, that the excess of any other

* See Wheatley on the Theory of Money, p. 219.

year will be nearly in the same proportion to the foreign expenditure of that year.

It appears from the accounts presented by Mr. Long to the Secret Committee of the House of Lords, in 1797, that the foreign expenditure in the year 1796, the fourth year of the French revolutionary war, amounted to 10,649,000*l*.; and the excess of exports above the imports, for the same year, taken from the Custom-house books, is 7,331,494*l*.; so that the foreign expenditure is to this excess in the ratio nearly of 10 to 7*. The excess of exports over imports for three quarters of the year 1809, is 17,359,229*l*. or above 23 millions for the year, as appears by the returns from the Custom-house presented to parliament the 10th of January 1810; but as these returns are exclusive of the imports from India, the amount of those imports must be deducted, to make the calculation correspond with the returns for 1796, in which those imports are included. The sale of the East India Company's goods, from March 1, 1809, to March 1, 1810, amounted to 8,237,035*l*.

* The excess of exports over imports appears to be actually less than the foreign expenditure, in consequence of the produce remitted from the East and West Indies being entered in the Custom-house returns as imports.

the excess of exports over imports for the year 1809, after deducting this sum, would be about 15 millions, which, according to the ratio obtained for the year 1796, would give a foreign expenditure of 21 millions; and considering the enlarged scale of our military operations, together with the establishments in Sicily and Malta, it will perhaps be thought not much beyond the truth. During the whole of the year 1809, the exchange between London and Hambro' was never less than 7 per cent. in favor of the latter; and, increasing gradually towards the end of the year, it rose in the month of November to 16 per cent. Mr. Huskisson, in his examination before the Committee for enquiring into the policy and conduct of the expedition to the Scheldt, states the difficulties of negotiating bills in Spain, and in the Mediterranean, as much greater than at Hambro'; so that it is not improbable an additional expenditure of some millions has been incurred in consequence of the unfavorable state of the exchange, occasioning a correspondent loss to this country, which might have been entirely avoided, had the currency been sufficiently contracted to reduce the *computed* exchange to par.

Without, however, placing too much reliance upon an estimate, which at best can only be considered as an approximation, it must be evident, that whatever may be the loss of government from this cause, it can only be supplied by laying additional burthens on the people. But this is not the only injury sustained in consequence of the depreciation of the currency; the same evil pervades the whole expenditure of government. Whatever purchases are made must be at an increased cost in proportion to the *nominal* high prices that an excessive currency produces. It will be felt through all the departments of the state, and the enlarged scale of expense must be balanced by an encreased scale of taxation. It is a matter of general notoriety, that money within these few years has been considerably reduced in value. The depreciation has been visibly going forwards since the time of the Bank restriction; and as long as it continues, the interests of the Bank are in direct opposition to those of the government and the public.

If the evils of an excessive currency affected all classes of the community equally, there might be less reason for complaint; but the misfortune is, that one class suffers no injury whatever, while another is subjected to the whole pressure, without the possibility of relief. It is of no consequence to the merchant whether he purchase with guineas the commodities which were formerly bought with shillings. His exports and his imports are in no

degree affected; he is, in a great measure, relieved from the fear of pecuniary embarrassment; and in the same degree that the value of money is lowered, his *nominal* profits are increased. Without possessing greater means than before, of commanding the comforts and the luxuries of life, he feels himself relatively raised in the scale of society, as far at least as property has the power of raising him, in proportion to the *nominal* thousands he receives.

The landed proprietor is subject to all the evils of a depreciated circulating medium during the continuance of his current leases. As they expire, an opportunity is afforded him of profiting from the high *nominal* prices of produce, by raising his rents, and thus, to a certain degree, of preserving his relative station in life; but the uncertainty of seasons, and the consequent excessive variations in the prices of agricultural produce, will prevent him from increasing the amount of his income in the same proportion that its value is diminished; and as the depreciation proceeds, he must suffer from its effects, in proportion to the length of time for which his leases are renewed.

But it is upon that class of the community, which receives a *nominal* income, that the depreciation of the currency acts with the greatest severity. The public creditor, the annuitant, th clergyman, the physician, the lawyer, the soldier, and the sailor---all the civil officers of government---all persons receiving salaries only---in short, all those who have no produce to dispose of, by the high price of which they might have the opportunity of remunerating themselves for the losses which the depreciation induces. They not only bear the increased burthens which the government is compelled to impose in consequence of the depreciation, but the remainder of their income no longer possesses the same power of procuring the necessaries and comforts of life.

Let this view of the injury sustained by the class receiving a *nominal* income be contrasted with the advantages which the Restriction Act has conferred on the Bank proprietors.---Since the year 1797, the proprietors of Bank Stock have received,

In 1799, a bonus of 10 per cent. Loyalty.
In 1801, - - - 5 per cent. Navy 5 per cent.
In 1802, - - - 2½ per cent. Ditto.
In 1804, - - - 5 per cent. Cash.
In 1805, - - - 5 per cent. Ditto.
In 1806, - - - 5 per cent. Ditto.

In 1807, the dividend was raised from 7 to 10 per cent. which, with the payment of the Property Tax, makes more than 11 per cent regular interest; and 100*l*. stock has increased from 127½*l*. its price in 1797, to 280*l*. its price in 1809*. Besides which, there is generally understood to be a very large surplus, which has not yet been divided amongst the proprietors; and, if the vast sums of money that have been expended during this period upon the buildings of the Bank, be considered, some idea may be formed of the immoderate profits that have been acquired by this establishment.

The question therefore is simply this, whether the interests of so large a part of the community are to be sacrificed for the benefit of the proprietors of bank stock, and the different banking partnerships throughout the kingdom; and it is yet to be explained on what grounds the continuance of a system can be justified, which, if it were wise at the time of its adoption, has long ceased to be either equitable or politic. It might be called for by imperious necessity, during the moment of alarm, and may be again resorted to, should similar circumstances demand it; but in the mean time, it seems no more than right, that the Bank should be content with the profits that are to be acquired in a pursuit, which has at all times afforded an adequate remuneration to those who have embarked in it, without the assistance of a legislative provision, that has

* Reflections on the Abundance of Paper, &c. by Sir Philip Francis.

deranged, and will continue to derange, so long as it exists, the circulating medium of the country.

Applications are continually making to parliament for an increase of salary to those who are unable to meet the pressure of the times, and to keep up appearances suitable to their stations in life. Instances of this have recently occurred, as well in the case of the inferior clergy, as of the officers of the army and navy. The salaries in all public offices, and public trading companies, are obliged to be raised, to enable the persons who are employed in them to purchase the necessaries of life.* Those who sell as well as buy, have the means of transferring the weight from their own shoulders; but the possessor of a *nominal* income receives the same number of pounds, whatever be their value; he is a buyer only, and must submit to his fate. The effects of *ordinary* taxation are the depression of the same class, and a tendency, as it proceeds to confound the different ranks of society. It is the more incumbent therefore upon the legislature to be careful, that this depressed class be not overwhelmed by that *extraordinary* taxation, which

* Mr. Rose, in his pamplet on the Public Expenditure, in speaking of the increase of the expense of collecting the Excise revenue, observes, " The increase in the Excise is nearly altogether for the augmentation of the salaries of the officers on " the establishment, to enable them to exist." p. 54.

arises from the necessity of increasing the *nominal* revenue of government, in proportion to the depreciation of its value.

The mode in which these evils are to be remedied, it is unnecessary, after what has been already said, for me to point out. When the cause that has produced the mischief is removed, the evils will subside of themselves. Lord King very justly observes, "Had parliament been called upon to " authorize any of those direct frauds upon the " currency, which have often disgraced arbitrary " governments; had it been recommended to " them to raise the denomination of the current " coin, there can be no doubt that such a pro- " posal would have been rejected with indigna- " tion. Yet an abuse of the same nature has " been established by law in this country. The " power of reducing the value of the currency by " a silent and gradual depreciation, is more dan- " gerous, from the very circumstance of its being " less direct, and less exposed to observation.*"

The difficulty that now presents itself is, in what manner to revert to the former system, without injury to the Bank, or to the merchants, who have so long been indulged with the accommodation of

* Thoughts on the Restriction of Cash Payments at the Bank, p. 121.

procuring the discount of their bills,—and this difficulty is the more embarrassing, from the very peculiar and unprecedented combination of circumstances that exists at the present moment.

In consequence of the large army now maintained by this country on the Continent of Europe, and in the Mediterranean, our foreign expenditure is unusually great; and the export trade, which under the ordinary facilities of commercial intercourse, would enable us to defray this expenditure, is subjected to impediments from the controul exercised by the enemy over the commerce of the Continent, which it is difficult to overcome. Our merchants are compelled to find secret and circuitous modes of introducing their merchandize into foreign countries, which, even after its introduction, is liable to immediate confiscation*.—

* It has been said, that, in the countries more immediately under the controul of the French, the merchants refuse to take our produce in exchange, and demand specie or bullion in payment for what we import from them. Should this be the fact, it is a strong proof that the French decrees have produced their effect, and that the risk of confiscation has to a certain extent prevented British merchandize from being introduced into those countries. It will be impossible, under these circumstances, much longer to continue such a commercial intercourse, unless the means be found of procuring a very unusual supply of bullion from the American mines; and it will become a question, whether the South American market can take such a quantity of British pro-

This must operate as a very powerful check upon the export of the staple produce of the country; and great as the comparative excess of exports appears to be, from the last returns of the Custom-house that have been laid before Parliament, it is probable that the foreign expenditure would have demanded and produced a much greater excess, but for the restrictions that the French decrees have imposed upon our commerce. It is said, too, that the deficiency in the last year's harvest has occasioned an increased and unusual importation of foreign grain; so that the *real* exchange has been acted upon by the combined influence of all the causes that can render it unfavorable,—a large foreign expenditure, demanding an excess of exports which the restrictions on commerce obstruct; and an increased importation, to supply the failure of an article of the first necessity, counteracting the effect of the export trade, and diminishing its excess. If the market price of

duce as will be sufficient to supply the bullion that will be wanted for effecting the usual imports from Holland and France, and that part of the Continent, where the French decrees can be enforced. Independently of this, the accumulation of bullion on the Continent will by degrees render its real price so low, that the quantity to be given in exchange for commodities imported from thence, must be continually augmenting, and of course the price of continental produce so much enhanced to the consumer here, as at length to stop the consumption altogether.

bullion, therefore, were ever raised above the mint price by an unfavorable *real* exchange, it might be expected under the circumstances now enumerated; and should this be the case, and the Bank be immediately rendered liable to the payment of its notes in specie, there would be no possibility of its withstanding the drain that would immediately commence, without such a sudden contraction of paper as would endanger the stability of the merchants. For the *nominal* and the *real* exchange being both unfavorable in a great degree, the process of melting the coin, and the export of bullion, would be carried on at the same time;—the first, to take advantage of the difference between the market and the mint price of gold; the second, on account of the excess of the premium upon foreign bills above the expenses of the transit of bullion; and this drain would continue till the issues of bank paper were sufficiently contracted, to lower the market price of bullion below its mint price.

It is not easy to ascertain what degree of contraction might be requisite to produce this effect, for the issues of the country banks are probably to the full as much above their due proportion, as those of the Bank of England. In the year 1795, before the drain took place which became the subject of such serious complaints to Mr. Pitt, the usual amount of bank notes in circulation was about 11 millions; at the time of the drain, the

issue had been increased to 13 millions, and from the 25th of February 1795, to the 25th of February 1797, had been violently contracted to 8½ millions. At that time bank notes were in common circulation in all parts of the kingdom, and had not been so completely displaced as they have since been, by the country notes. The paper circulating medium, therefore, required for the capital, and parts immediately adjacent, would probably not exceed 10 millions. The quantity of coin at the same period may be estimated by the proportion between the cash and paper payments at the Bank, as given in evidence by Mr. Abraham Newland, before the Secret Committee of the House of Lords*. He states, that previously to the restriction, if the dividends to the public creditor amounted to 14,000,000*l*., not more than from 1,300,000*l*. to 1,400,000*l*. would be paid in cash. If in so large a payment, where cash in any quantity might be demanded, and where there must have been many fractional sums, one tenth only were paid in specie, it is fair to conclude that not more than one tenth would be given in the other money transactions of the metropolis. He adds, that 100,000*l*. would be sufficient for all the cash payments of the Treasury;—that in the

* p. 63.

the gross produce of the Customs, which then amounted to 3,000,000*l.*, the Bank did not receive above 3000*l.* in specie;—in the produce of the Excise, stated at 7,000,000*l.*, not more than 60,000*l.*;---and in the instalments of a loan consisting of much larger sums, not above 1 per cent. upon the whole*. So that taking 1 to 10 as the probable proportion of the specie to the notes, there would be about one million of the former in circulation, making, together with the paper, 21 millions for the total amount of the currency of the metropolis. By the last returns of the House of Commons, the bank notes in circulation on the 12th of Jan. in the present year, exclusive of the Bank post bills, amounted to 20,522,810*l.*; and as the quantity of these notes that circulate in the country is very trifling, it is not improbable that the currency of the capital has been nearly doubled in the course of the last thirteen years. The general opinion is, that the country banks have made a still more extensive use of the privileges which the Restriction Bill has afforded, and have multiplied their paper to an enormous amount. There seems every reason, therefore, to conclude, that the circulating medium would be under-rated at double its amount, in the year 1797; and consequently, that, if the

* See Wheatley on the Theory of Money, p. 142.

country does not require a greater quantity of currency now, than it did at that time, the Bank must contract its paper one half, or to about 11 millions, before commodities could be brought back to their natural prices*.

Those who have attended to the distress in which the merchants were involved at the period to which we have referred, by a reduction of bank paper from 13½ to 8½ millions in two years, may conceive how infinitely more they must suffer by a sudden diminution of it from 21 to 11 millions. But this circumstance, which is a cogent reason against the immediate repeal of the Bank Restriction Bill, is also the strongest proof of the effect which the contraction of currency has upon prices; for whence could the distress of the merchants arise, but from their being compelled to dispose of their stock at reduced prices? They have now been so long habituated to the enhanced rates, that their purchases have been made with reference to this system, and under an expectation of deriving their present high *nominal* profits from its continuance. The number of purchasers in the

* The increase of prices, arising from the gradual progress of taxation, will probably require a larger circulating medium than might be wanted in 1797.

market, occasioned by the increased issues of paper, will be withdrawn, when the paper is again contracted, and consequently the holders of produce that has been bought upon credit, and for which bills are outstanding, must sell in the falling markets, in order to meet their acceptances when they become due. The Bank also, in consequence of the drain, will be compelled to reduce its paper, which it cannot effect, without refusing its usual discounts. The merchant, no longer possessing the means as before, of coining his credit into currency, must either sell, or be unable to make good his payments. In the same proportion as an increase of buyers was created by the over-issue, the contraction will create an increase of sellers; and thus it appears evident, that so sudden a diminution of currency, as would be necessary to protect the Bank, if the restriction were immediately withdrawn, would inevitably occasion great pecuniary distress, and be attended with the most injurious consequences to the credit and commerce of the nation.

But there is no necessity for such violence. The Bank may gradually diminish the amount of its paper, in the same manner in which it has for the last thirteen years been gradually increased. It is true such a proceeding will not be so popular with the merchants, but it will not be attended with

any real injury to their interests, whilst it will confer a substantial benefit on the possessor of a *nominal* income, a benefit to which he is upon every principle of justice entitled.

It is only necessary for parliament to determine the amount of the annual dimunition of the issues of the Bank, and to enforce the continuance of the measure, till it is found that the market price of bullion is permanently reduced, in a trifling degree, below its mint price. The currency will then be of the same value as if it consisted entirely of the precious metals, and the restriction may be removed without the slightest injury to the Bank, or any real injury to the merchant. This experiment may be made with the utmost safety, both to the Bank and the country; because parliament will at any time have the power of increasing or diminishing the annual contraction, should it be found that, in the first instance, too low or too high a limit had been assigned*.

* The Bank has been indulged so long in the exercise of the extraordinary privileges conferred upon it by the legislature, and has, by its extensive advances, acquired such a controul over the finances of individuals, and of government, that it may, perhaps, have become questionable, whether the Directors of that establishment have not, at this moment, the power of dictating their own terms; and whether the legislature may not be under the necessity of receiving, rather than of proposing conditions.

It will require, however, much caution and some firmness, lest the legislature should be misled by the clamours of those who will first feel the effects of the remedy; for as the Bank will immediately experience a diminution of its profits, and probably be at length compelled to lower the interest to the proprietors; as the issues of the country banker will be restrained within their natural limits; and as the merchant, under the first alarm which the falling prices will excite, and without forming a just conception of its cause, will not fail to exclaim against a system apparently so adverse to his interests; there can be little doubt but that the public, during its progress, will be assailed with the most gloomy predictions of the decline of the general wealth, and the ruin of the commercial prosperity of the nation. But a full and accurate acquaintance with this most important subject, will lead the government and the people to disregard and despise such idle and interested clamours,----to consider these effects not as symptoms of decay, but as evidences of the efficacy of a measure tending to restore the energies of the country. It will teach them the necessity of perseverance, not

Should these conjectures have any foundation in truth, they furnish the most cogent reasons for the immediate extinction of a power, whose existence is incompatible with the independence and the supremacy of government.

merely for the purpose of obviating those mischiefs which have hitherto been experienced; but in order to prevent the still greater evils, which must infallibly result from an adherence to the same system. Above all, it will induce them to submit with cheerfulness to those trifling and partial inconveniencies, which may occasionally be experienced during the progress of the remedy, while they look forward with confidence to the re-establishment of the ancient scale and order of things, and the consequent increase, not only of the comforts of the great mass of the community, but of the resources, the powers, and the independence of the government.

In the following Tables, the figures indicating the per centage in favor of, and against London, denote pounds and the decimal parts of pounds, which are not carried beyond one decimal place.

A Table of the Rates of Exchange between London and Hambro', and of the Market Price of Gold, from 1760 to 1810; extracted from the Tables of Mr. Mushet:

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1760	Jan. 1	36 4	7 .9		3 18 6	0 16 0 2	
	March 4	36 1	7 .1		3 18 9	1 2 5 2	
	May 2	35 6	5 .4		3 19 1	1 11 0 1	
	July 1	32 6		3 .5	3 19 0	1 8 10 2	
	Sept. 2	32 2		4 .5	4 0 1	2 16 8 2	
	Nov. 4	31 8		6	3 19 4	1 17 5 1	
1761	Jan. 2	32		5	3 18 10	1 4 7 1	
	March 3	32 3		4 .3	3 19 8	2 6 0	
	May 1	32 2		4 .5	4 0 0	2 14 6 3	
	July 3	31 11		5 .2	4 0 6	3 7 5	
	Sept. 1	32 5		3 .8	4 0 6	3 7 5	
	Nov. 3	33		2	3 19 4	1 17 5 1	
1762	Jan. 1	32 11		2 .3	3 19 0	1 8 10 2	
	March 2	33 9	0 .2		3 18 9	1 2 5 2	
	May 4	34 3	1 .7		3 19 3	1 15 3 3	
	July 2	34 8	2 .9		3 19 10	2 10 3 2	
	Sept. 3	35	3 .9		3 19 4	1 17 5 1	
	Nov. 2	35 1	4 .2		3 18 10	1 4 7 1	
1763	Jan. 4	34 2	1 .4		4 0 0	2 14 6 3	
	March 1	33 11	0 .7		4 0 6	3 7 5	
	May 3	34 2	1 .4		4 1 3	4 6 8	
	July 1	34 3	1 .7		4 0 6	3 7 5	
	Sept. 2	34 7	2 .7		4 1 6	4 13 1 3	
	Nov. 1	34 11	3 .7		3 18 9	1 2 5 2	
1764	Jan. 3	34 5	2 .2		3 18 3	0 9 7 2	
	March 2	35 2	4 .4		3 18 3	0 9 7 2	
	May 1	34 11	3 .7		3 18 3	0 9 7 2	
	July 3	35 1	4 .2		3 18 3	0 9 7 2	
	Sept. 4	35	3 .9		3 18	0 3 2 2	
	Nov. 2	35 1	4 .2		3 18	0 3 2 2	

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1765	Jan. 1	35 1	4 .9		3 18 0	0 3 2 1	
	March 1	34 10	3 .4		3 18 0	0 3 2 2	
	May 3	34 11	3 .7		3 18 0	0 3 2 2	
	July 2	34 9	3 .2		3 18 0	0 3 2 2	
	Sept. 3	34 4	1 .9		3 18 8	1 0 3 3	
	Nov. 1	34 4	1 .9		3 18 2	0 7 5 3	
1766	Jan. 3	34 6	2 .4		3 18 7	0 18 2 1	
	March 4	34 9	3 .2		3 18 8	1 0 3 3	
	May 2	34 11	3 .7		3 19 2	1 13 2	
	July 1	35 1	4 .9		3 19 10	2 10 3 2	
	Sept. 2	35 3	3 .7		3 19 0	1 8 10 2	
	Nov. 4	35 8	5 .9		3 19 0	1 8 10 2	
1767	Jan. 2	35 6	5 .4		3 19 3	1 15 3 3	
	March 3	35 8	5 .9		3 19 4	1 17 5 1	
	May 1	35 10	6 .4		3 19 10	2 10 3 2	
	July 3	35 8	5 .9		3 19 8	2 6 0	
	Sept. 1	35 11	6 .6		3 19 5	1 19 7	
	Nov. 3	35 6	5 .4		3 19 5	1 19 7	
1768	Jan. 1	34 11	2 .7		3 18 8	1 0 3 3	
	March 1	34 4	1 .9		3 18 9	1 2 5 2	
	May 3	34 8	2 .9		3 19 1	1 11 0 1	
	July 1	34 7	2 .7		3 19 6	2 1 8 3	
	Sept. 2	34 5	2 .2		3 19 6	2 1 8 3	
	Nov. 1	33 6		6 .5	3 19 5	1 19 7	
1769	Jan. 3	33 2		1 .5	3 19 7	2 3 10 1	
	March 3	33 4		1	3 19 9	2 8 1 3	
	May 2	33 8			4 0 3	3 1 0	
	July 4	33 6		.5	4 0 8	3 11 8 1	
	Sept. 1	33 6		0 .5	4 0 4	3 3 1 2	
	Nov. 3	33 1		1 .8	4 0 6	3 7 5	

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1770	Jan. 3	33 2		1 .5	4 0 6	3 7 5	
	March 2	33 2		1 .5	4 0 4	3 3 1 2	
	May 1	33 3		1 .3	4 0 4	3 3 1 2	
	July 3	33 4		1	4 0 2	2 18 10 1	
	Sept. 4	33 2		1 .5	4 0 0	2 14 6 3	
	Nov. 2	33 5		0 .8	3 19 6	2 1 8 3	
1771	Jan. 1	33 8			3 18 9	1 2 5 2	
	March 1	33 9	0 .2		3 18 10	1 4 7 1	
	May 3	33 6		0 .5	3 19 2	1 13 2	
	July 2	33		2	3 19 9	2 8 1 3	
	Sept. 3	32 11		2 .3	4 0 8	3 11 8 1	
	Nov. 1	32 9		2 .8	4 0 7	3 9 6 2	
1772	Jan. 3	32 7		3 .3	4 1 0	4 0 3	
	March 3	32 11		2 .3	4 1 0	4 0 3	
	May 1	32 10		2 .5	4 0 9	3 13 10	
	July 3	33 4		1	4 0 0	2 14 6 3	
	Sept. 1	33 5		1 .3	3 19 0	1 8 10 2	
	Nov. 3	33 8			3 18 0	0 3 2 2	
1773	Jan. 5	34	0 .9		3 18 0	0 3 2 2	
	March 2	35	3 .9		3 18 0	0 3 2 2	
	May 4	34 9	3 .2		3 17 11	0 1 0 3	
	July 2	34 11	3 .7		3 17 9		0 3 2 2
	Sept. 3	34 8	2 .9		3 17 9		0 3 2 2
	Nov. 2	34 9	3 .3		3 17 9		0 3 2 2
1774	Jan. 4	34 9	3 .2		3 17 9		0 3 2 2
	March 1	34 10	3 .4		3 17 9		0 3 2 2
	May 3	34 7	2 .7		3 17 9		0 3 2 2
	July 1	34 9	3 .2		3 17 9		0 3 2 2
	Sept. 2	34 5	2 .2		3 17 7		0 7 5 3
	Nov. 1	34 2	1 .4		3 17 7		0 7 5 3

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price	Per centage below its Mint Price.
1775	Jan. 3	34 3	1 .7		3 17 7		0 7 5 3
	March 3	34 5	2 .2		3 17 7		0 7 5 3
	May 2	34 4	1 .9		3 17 7		0 7 5 3
	July 4	34 5	2 .2		3 17 7		0 7 5 3
	Sept. 1	34 4	1 .9		3 17 7		0 7 5 3
	Nov. 3	34 2	1 .4		3 17 7		0 7 5 3
1776	Jan. 5	34 1	1 .2		3 17 7		0 7 5 3
	March 1	33 9	0 .2		3 17 7		0 7 5 3
	May 3	33 8			3 17 7		0 7 5 3
	July 2	33 3		1 .3	3 17 7		0 7 5 3
	Sept. 3	33 5		0 .8	3 17 7		0 7 5 3
	Nov. 1	33 1		1 .8	3 17 7		0 7 5 3
1777	Jan. 3	33 2		1 .5	3 17 7		0 7 5 3
	March 4	33 0		2	3 17 7		0 7 5 3
	May 2	32 10		2 .5	3 17 7		0 7 5 3
	July 1	32 7		3 .3	3 17 7		0 7 5 3
	Sept. 2	32 2		4 .5	3 17 7		0 7 5 3
	Nov. 4	32 1		4 .8	3 17 7		0 7 5 3
1778	Jan. 2	32 4		4	3 17 7		0 7 5 3
	March 3	32 9		2 .8	3 17 7		0 7 5 3
	May 1	34 2	1 .4		3 17 7		0 7 5 3
	July 3	34 7	2 .7		3 17 7		0 7 5 3
	Sept. 1	34 5	2 .2		3 17 7		0 7 5 3
	Nov. 3	34 10	3 .4		3 17 7		0 7 5 3
1779	Jan. 1	35 6	5 .4		3 17 7		0 7 5 3
	March 2	35 8	5 .9		3 17 6		0 9 7 2
	May 4	36 2	7 .4		3 17 6		0 9 7 2
	July 2	35 10	6 .4		3 17 6		0 9 7 2
	Sept. 3	33 9	0 .2		3 17 6		0 9 7 2
	Nov. 9	34 4	1 .9		3 17 6		0 9 7 2

		Hamburgh.	Per centage in favor of London.	Per centage against London	Price of Standard Gold per oz.	Per centage above its Mint Price	Per centage below its Mint Price.
1780	Jan. 4	34 6	2 .4		3 17 6		0 9 7 2
	March 3	35 7	5 .6		3 17 6		0 9 7 2
	May 2	35 2	4 .4		3 17 6		0 9 7 2
	July 4	34 8	2 .9		3 17 6		0 9 7 2
	Sept. 1	34 1	1 .2		3 17 6		0 9 7 2
	Nov. 3	33 10	0 .4		3 17 6		0 9 7 2
1781	Jan. 2	34 1	1 .2		3 17 6		0 9 7 2
	March 2	33 11	0 .7		3 17 6		0 9 7 2
	May 1	33 7		0 .3	3 17 6		0 9 7 2
	July 3	32 1		4 .8	3 17 6		0 9 7 2
	Sept. 4	32 2		4 .5	3 17 6		0 9 7 2
	Nov. 2	31 11		5 .2	3 17 6		0 9 7 2
1782	Jan. 1	31 9		5 .7	3 17 6		0 9 7 2
	March 1	32 10		2 .5	3 17 6		0 9 7 2
	May 3	32 11		2 .3	3 17 6		0 9 7 2
	July 2	32 11		2 .3	3 17 6		0 9 7 2
	Sept. 3	32 6		3 .5	3 17 9		0 3 2 2
	Nov. 1	31 8		6	3 17 9		0 3 2 2
1783	Jan. 3	32 7		3 .2	3 17 9		0 3 2 2
	March 4	32 5		3 .8	3 17 9		0 3 2 2
	May 2	31 9		5 .7	3 18 0	0 3 2 2	
	July 1	31 6		6 .5	3 18 0	0 3 2 2	
	Sept. 2	31 6		6 .5	3 18 0	0 3 2 2	
	Nov. 4	32 9		2 .8	3 18 0	0 3 2 2	
1784	Jan. 2	33 6		0 .5	3 18 0	0 3 2 2	
	March 2	33 9	0 .2		3 18 0	0 3 2 2	
	May 4	34 4	1 .9		3 17 10 2		
	July 2	34 4	1 .9		3 17 10 2		
	Sept. 3	34 7	2 .7		3 17 10 2		
	Nov. 2	34 8	2 .9		3 17 10 2		

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1785	Jan. 7	35	3 .9		3 17 10 2		
	March 1	35 4	4 .9		3 17 10 2		
	May 3	34 11	3 .7		3 17 10 2		
	July 1	35 6	5 .4		3 17 6		0 9 7 2
	Sept. 2	35 4	4 .9		3 17 6		0 9 7 2
	Nov. 1	35 3	4 .7		3 17 6		0 9 7 2
1786	Jan. 3	34 10	3 .4		3 17 6		0 9 7 2
	March 3	34 11	3 .7		3 17 6		0 9 7 2
	May 2	34 5	2 .2		3 17 6		0 9 7 2
	July 4	34 3	1 .7		3 17 6		0 9 7 2
	Sept. 1	34 3	1 .7		3 17 6		0 9 7 2
	Nov. 3	34 6	2 .4		3 17 6		0 9 7 2
1787	Jan. 2	34 5	2 .2		3 17 6		0 9 7 2
	March 2	34 7	2 .7		3 17 6		0 9 7 2
	May 1	34 7	2 .7		3 17 6		0 9 7 2
	July 3	34 8	2 .9		3 17 6		0 9 7 2
	Sept. 4	35	3 .9		3 17 6		0 9 7 2
	Nov. 2	35 1	4 .2		3 17 6		0 9 7 2
1788	Jan. 1	35 1	4 .2		3 17 6		0 9 7 2
	March 4	35 3	4 .7		3 17 6		0 9 7 2
	May 2	35 4	4 .9		3 17 6		0 9 7 2
	July 1	35 1	4 .2		3 17 6		0 9 7 2
	Sept. 5	35	3 .9		3 17 6		0 9 7 2
	Nov. 4	34 9	3 .2		3 17 6		0 9 7 2
1789	Jan. 6	34 10	3 .4		3 17 6		0 9 7 2
	March 3	35 1	4 .2		3 17 6		0 9 7 2
	May 1	35 6	5 .4		3 17 6		0 9 7 2
	July 3	35 7	5 .6		3 17 6		0 9 7 2
	Sept. 1	35 5	5 .1		3 17 6		0 9 7 2
	Nov. 3	35 1	4 .2		3 17 6		0 9 7 2

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price	Per centage below its Mint Price.	Amount of Bank of England notes in Circulation.
1790	Jan. 29	35	3 .9		3 17 6		0 9 7 2	10,245,280
	March 1	35 2	4 .4		3 17 6		0 9 7 2	
	May 4	35 4	4 .9		3 17 6		0 9 7 2	11,160,590
	July 2	35 7	5 .6		3 17 6		0 9 7 2	11,348,700
	Sept. 3	35 6	5 .4		3 17 6		0 9 7 2	
	Nov. 2	35 7	5 .6		3 17 6		0 9 7 2	11,510,270
1791	Jan. 4	35 6	5 .4		3 17 6		0 9 7 2	11,601,950
	March 1	35 10	6 .4		3 17 6		0 9 7 2	
	May 3	35 11	6 .6		3 17 6		0 9 7 2	12,060,620
	July 1	35 10	6 .4		3 17 6		0 9 7 2	11,764,680
	Sept. 2	35 6	5 .4		3 17 6		0 9 7 2	
	Nov. 1	35 2	4 .4		3 17 6		0 9 7 2	11,225,840
1792	Jan. 3	34 6	2 .4		3 17 6		0 9 7 2	11,239,170
	March 2	34 6	2 .4		3 17 6		0 9 7 2	
	May 1	34 3	1 .7		3 17 6		0 9 7 2	11,765,280
	July 3	34 5	2 .2		3 17 6		0 9 7 2	11,316,790
	Sept. 4	34	0 .9		3 17 6		0 9 7 2	
	Nov. 2	34 3	1 .7		3 17 6		0 9 7 2	11,157,040
1793	Jan. 1	35 4	4 .9		3 17 6		0 9 7 2	11,963,820
	March 1	36 7	8 .6		3 17 6		0 9 7 2	
	May 3	37 6	11 .3		3 17 6		0 9 7 2	12,100,650
	July 2	37 2	10 .3		3 17 6		0 9 7 2	10,938,620
	Sept. 3	36	6 .9		3 17 6		0 9 7 2	
	Nov. 1	35 3	4 .7		3 17 6		0 9 7 2	10,967,310
1794	Jan. 3	35 9	6 .1		3 17 6		0 9 7 2	11,159,720
	March 4	36 4	7 .9		3 17 6		0 9 7 2	
	May 2	36 7	8 .6		3 17 6		0 9 7 2	10,366,450
	July 1	35 6	5 .4		3 17 6		0 9 7 2	10,343,940
	Sept. 2	35	3 .9		3 17 6		0 9 7 2	
	Nov. 4	34 5	2 .2		3 17 6		0 9 7 2	10,927,970

		Hamburgh.	Per centage in favor of London.	Per centage against London	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.	Amount of Bank of England notes in circulation.
1795	Jan. 2	34 6	2 .4		3 17 6		0 9 7 2	
	March 3	35 10	6 .4		3 17 6		0 9 7 2	12,432,240
	May 1	34 4	1 .9		3 17 6		0 9 7 2	10,912,680
	July 3	32 10		2 .5	3 17 6		0 9 7 2	
	Sept. 1	32 6		3 .5				11,034,790
	Nov. 3	32 10		2 .5				11,608,670
1796	Jan. 1	32 7		3 .3				
	March 1	33 2		1 .5				10,824,150
	May 3	33 10	0 .4					10,770,200
	July 1	33 7		0 .3	3 17 6		0 9 7 2	
	Sept. 2	33 7		0 .3	3 17 6		0 9 7 2	9,720,440
	Nov. 1	34 7	2 .7		3 17 6		0 9 7 2	9,645,710
1797	Jan. 3	35 6	5 .4					
	March 3	34 9	3 .2					8,640,250
	May 2	36	6 .9		3 17 6		0 9 7 2	11,103,880
	July 4	36 6	8 .4		3 17 6 2		0 9 7 2	
	Sept. 1	38	12 .8		3 17 10 2			10,828,880
	Nov. 3	38	12 .8		3 17 10 2			11,641,400
1798	Jan. 2	38 2	13 .3		3 17 10 2			
	March 2	37 5	11 .1		3 17 10 2			13,043,480
	May 1	37 8	11 .8		3 17 10 2			13,234,440
	July 3	37 10	12 .3		3 17 10 2			
	Sept. 4	37 6	11 .3		3 17 10			12,115,640
	Nov. 2	37 10	12 .3		3 17 9		0 3 2 2	12,441,070
1799	Jan. 1	37 7	11 .6		3 17 9		0 3 2 2	
	March 1	37 7	11 .6		3 17 9		0 3 2 2	13,202,460
	May 3	35 6	5 .4		3 17 9		0 3 2 2	13,720,260
	July 2	36	6 .9		3 17 9		0 3 2 2	
	Sept. 3	33 4		1	3 17 9		0 3 2 2	13,759,940
	Nov. 1	32 6		3 .5				14,006,960

		Hamburgh.	Per eentage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price	Amount of Bank of England notes in circulation.
1800	Jan. 3	32		5			15,110,060
	March 4	31 4		7			15,213,520
	May 2	32 5		3 .8			
	July 1	32 6		3 .5	4 5 0	9 2 11 3	15,230,410
	Sept. 2	32 2		4 .5	4 5 0	9 2 11 3	15,450,970
	Nov. 4	31 10		5 .5	4 5 0	9 2 11 3	16,365,206
1801	Jan. 2	29 8		11 .9	4 6 0	10 8 8	No account of the Bank notes in circulation appears to have been presented for this year, subsequent to March 25th.
	March 3	31 7		6 .2	4 2 6	5 18 9 1	
	May 1	31 6		6 .5	4 5 0	9 2 11 3	
	July 3	31 6		6 .5			
	Sept. 1	31 7		6 .2			
	Nov. 3	32 6		3 .5			
1802	Jan. 1	32 2		4 .5			
	March 2	32 3		4 .3	4 3 6	7 4 5 2	
	May 4	32 8		3			15,956,016
	July 2	33 3		1 .3			
	Sept. 3	33 3		1 .3			16,747,300
	Nov. 2	33 5		0 .8			16,141,636
1803	Jan. 4	34	0 .9				15,838,410
	March 1	34 5	2 .2				16,101,140
	May 3	34 4	1 .9				
	July 1	34 4	1 .9				16,734,510
	Sept. 2	32 10		2 .5			16,622,510
	Nov. 1	34 4	1 .9				
1804	Jan. 3	34 10	3 .4				17,931,930
	March 2	35	3 .9				17,274,493
	May 1	35 9	6 .1				18,033,383
	July 3	35 8	5 .9		4 0 0	2 14 6 3	
	Sept. 4	35 10	6 .4		4 0 0	2 14 6 3	17,194,1[illegible]3
	Nov. 2	35 6	5 .4		4 0 0	2 14 6 3	16,881,306

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage ~~below~~ its Mint Price. above	Amount of Bank of England notes in circulation.
1805	Jan. 1	35 6	5 .4		4 0 0	2 14 6 3	18,407,880
	March 1	35 8	5 .9		4 0 0	2 14 6 3	17,367,740
	May 3	35 5	5 .1		4 0 0	2 14 6 3	
	July 2	35 8	5 .9		4 0 0	2 14 6 3	16,449,020
	Sept. 3	35 5	5 .1		4 0 0	2 14 6 3	
	Nov. 5	32 9		2 .8			16,753,490
1806	Jan. 3	33 3		1 .3			17,293,070
	March 4	34 2	1 .4				
	May 2	33 8					17,085,150
	July 1	34 5	2 .2				17,281,330
	Sept. 2	34 4	1 .9				
	Nov. 4	33 10	0 .4				17,049,720
1807	Jan. 2	34 8	2 .9				16,618,390
	March 3	34 10	3 .4				17,536,400
	May 1	34 10	3 .4				
	July 3	34 3	1 .7				17,748,400
	Sept. 4	34 3	1 .7				
	Nov. 6	34 4	1 .9				16,930,200
1808	Jan. 1	34 4	1 .9				17,573,100
	March 1	34 6	2 .4				
	May 3	34 9	3 .2				17,491,900
	July 1	35 8	5 .9				17,644,670
	Sept. 2	34 8	2 .9				17,466,170
	Nov. 1	32 9		2 .8			
1809	Jan. 3	31 3		7 .2			17,560,060
	March 3	31		8			No account of
	May 2	30 6		9 .5	4 10 0	15 11 4 3	Bank notes in cir-
	July 4	28 6		15 .4	4 11 0	17 1 7 3	culation was pre-
	Sept. 5	29		13 .9	*4 8 0	19 5 2 3	sented subse-
	Nov. 3	28		16 .9	†4 5 0	15 8 2	quent to this date

* The Gold quoted this month is doubloons, they are valued in our gold coins, at 3l. 13s. per oz. † Doubloons.

J. Tyler, Printer, Rathbone Place.