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THE  
*PRESENT CRITICAL*  
STATE OF THE COUNTRY  
*Developed;*  
OR,  
AN EXHIBITION OF THE TRUE CAUSES  
OF  
*THE CALAMITOUS DERANGEMENT*  
OF THE  
**BANKING AND COMMERCIAL SYSTEM,**  
AT THE PRESENT ALARMING CRISIS:  
SHEWING  
THE ESSENTIAL DISTINCTION  
BETWEEN THE SOLIDITY OF THE  
NATIONAL BANK OF ENGLAND  
AND THAT OF  
**Country Banks.**

BY AN INDIVIDUAL  
*Of Thirty Years' practical Experience in Banking and Commercial Affairs.*

*W. Smith*

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**CRITICAL STATE OF THE COUNTRY**  
**DEVELOPED,**  
*&c. &c. &c.*

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AT a period when the public mind is daily agitated by contradictory and mischievous doctrines concerning the TRUE CAUSES of the present deranged state of BANKING and of COMMERCE, the Author of this Tract is induced to hope he is performing a useful public duty, by submitting to the candid consideration of political writers of all parties, and to the common sense of his fellow-countrymen at large, the following statement of FACTS, relative to the SUSPENSION and RESTORATION of GOLD as the STANDARD OF VALUE in Great Britain and Ireland. The true knowledge of these FACTS cannot, he believes, fail to render plain, to the most common understanding, the REAL CAUSES which have produced these calamities.

In performing this task, all anxiety as to the approbation of mere literary critics yields to the more important point of rendering a subject, which has been so mischievously *mystified*, clear to men of business; and the only qualification which the Author imagines himself to possess for such an undertaking, is that of a practical experience and diligent study, for more than thirty years, of the subject upon which he writes; with a perfect freedom from any political or interested bias, which might tempt him to conceal or disguise his sincere conviction of the TRUTH.

[ *Entered at Stationers' Hall.* ]

Thirty years ago, who ever heard in the shops or counting-houses of a Banker, Merchant, or Trader of London, such metaphysical jargon as "*cheap and safe currency;*" "*scarcity or redundancy of the circulating medium;*" "*excess of Bank-issues;*" and "*depreciation of Bank-notes!*" The Englishman who, at that period, had uttered such expressions, with reference to their connection with his own private affairs, would have been deemed mad. But now, only let some lecturer on "Political Economy" issue his prospectusses, and Bankers and Merchants become the delighted disciples of the most fanciful theories! What has occasioned this change in men's minds? —SOPHISTRY, falsely called SCIENCE. But how have these delusions been created; and why have they continued so long? Because the Government of the country, nearly thirty years since, suspended *the use of coin*; and thus gave a sanction to the experiments of desperate schemes on the NATIONAL CURRENCY, that was left *without any real standard* by which to measure its value; and without which standard, neither the commerce nor revenues of a FREE STATE can ever be permanently regulated with equity and safety. Whether this suspension of the use of coin *could* have been avoided, without submitting the country to evils still more tremendous, is a question of a *political* nature: that it was *not* avoided, is an HISTORIC FACT; and, whether the suspension be the greater or the lesser evil, the FACT is the same; namely, that the *present critical state of the country* is the natural consequence of *that evil*.

A principal cause of the long prevalence of general error, on a subject so necessary to be rightly understood by every individual, has been a perplexing mixture of political feelings and metaphysical opinions regarding the Bank of England, neither of which have any more to do with the actual nature of the Bank, than the shape or colour of a man's coat with his qualifications as a merchant.

It is from this cause that the Bank of England has been too often *shewn up* to the public, by political jugglers, as the SOURCE of *National evil*, instead of being described as, what in truth *it was*, the *ark of public credit*, during the period of the war; and what *it is*, at *this moment*, the CHIEF ROCK on which public confidence reposes, in a crisis of universal alarm and danger.

Many of these misrepresentations, concerning the Bank of England and Bank-notes, are believed from an erroneous notion, that the BANK is a department of State, or an office of Government. On the contrary, the Bank is an independent company of wealthy individuals, trading in money and bullion, for the united interests of its several

members; and is in fact a large BANKING ESTABLISHMENT, to which charters, and acts of parliament have secured, at different periods, certain exclusive privileges, which prevent all attempts at rivalry by similar bodies; or combinations of individuals; no other banking concern being allowed by law to consist of more than six partners. The commission for the establishment of the Bank of England was issued on the 15th of June, 1694, in the reign of William and Mary.

This chartered company gradually became the NATIONAL BANK OF ENGLAND, in which were from time to time deposited the surplus or unemployed monies of thousands of individuals, who, as well for convenience as security, preferred, for keeping in their own custody, the NOTES of this Bank, instead of gold; experience having proved Bank-notes to be, to all intents and purposes, virtually and essentially as valuable, and as universally current, as British coin itself, not only within the British realms, but among foreign nations.

The credit thus acquired, and the exclusive privileges thus purchased by this corporation, were exercised with such consummate skill, with such judicious caution, with such liberal and impartial views to general utility, and with such uniform good faith, for a period of one hundred years, that it is no exaggeration to say, that the BANK OF ENGLAND, at the era of the restriction, was recognised in every quarter of the globe as a rock of credit, surpassing in eminence and strength every similar foundation that had ever been known in the world.

So universal indeed was the credit of THE BANK OF ENGLAND, that it is possible its power, as a private company, might have been dangerous to the general interests of the community, if the framers of the original charter had not wisely provided, in the constitution of the Bank itself, an infallible preventive of the abuses of such power. Accordingly, all its acts must have the concurrence of a majority of twenty-four Directors, besides the Governor and Deputy-Governor, who are all elected annually by and from the body of proprietors, or share-holders at large. These Governors and Directors, it must be particularly remembered, differ very materially in their characteristics from the Commissioners of the various boards under the controul of Government. They are neither the stipendiary agents of a power superior to themselves, nor the executive organs of measures dictated by others; but the selected guardians of a certain property, in which each of them has an individual, and the whole a joint interest, in common with the other numerous partners, who

annually appoint them to their trust. It is very necessary to bear in mind this essential difference in the qualities of a Director of the Bank and a Commissioner of the Customs or Excise, in order to prevent the confusion of ideas, which the erroneous notion that the Bank is a department of Government is apt to create. These Directors, though conjointly they form a general court for the management of the affairs of the Bank, are, in their individual characters, rival merchants and competitors in commerce, whose separate interests must necessarily keep alive a wholesome jealousy of each other, that forbids the possibility of combination, except only for the general interest of the Bank; and the interest of the Bank of England must necessarily *compel* its Directors to promote the prosperity of England itself.

If, however, it be still doubted by some what security this constitution of the government of the Bank affords against the influence of its immense power, in cases where the interests of the Bank may possibly happen to be in opposition to the public welfare; let it be remarked, in the first place, that each of the Directors, whose votes are to determine the conduct of the Bank at such a crisis, though he must necessarily hold a qualifying portion of *Bank-stock*, is, at the same time, a *much larger stake-holder* in the *general property* of the NATION; as a possessor either of lands, houses, shipping, merchandize, manufactures, or the *public stocks*, which latter, it should be remembered, are *property* as totally *distinct* from *Bank stock*, as are ships or farms.

If then a question which balanced the sacrifice, nay, merely the hazard of the *public welfare* against the *profits of the Bank*, were ever to arise in the *Bank Court*, can it be rationally imagined for a moment, that a majority out of six and twenty individuals, such as have been described, would be so blind to their own private interests, (if even they could be so destitute of all public spirit,) as to undermine the foundations or obstruct the channels of national wealth, in which they are such large participators, for the so much minor consideration of increasing or upholding the value of Bank stock? The mere supposition of such a folly is altogether idle, except for the purpose of illustration, as every operation of the Bank, it will be shewn, must necessarily be directed to the public benefit.

It will be evident that this wealthy company cannot possibly become the means or the instrument of public evil, though it has the power of performing such essential public services, if we refer to that important clause of the charter, which *prohibits the Bank from trading*

*in any branch of commerce.* For though it may be said, that the charter has given to the Bank an exclusive monopoly in money, still the power of that monopoly is so wisely circumscribed, that if the Bank possessed a hundred fold more wealth than it does, their riches could not be made to yield the Bank itself the smallest interest or advantage whatever; until it first be distributed (under some denomination of solicited loan) among traders, merchants, manufacturers, farmers, land-owners, and fund-holders, or lent directly to the State itself, under the sanction and guarantee of Parliament.

It will therefore be shewn, that the inevitable tendency of every operation of the Bank of England is to *circulate*, not to *absorb* the monies of the empire. Its credit collects by the voluntary preference which individuals, for convenience, assign to its notes over gold, the various sums belonging to each, that otherwise would lie unemployed and fruitless; but which sums, thus accumulated together, become amalgamated with the capital and credit of the Bank, and thus enable it to increase in an average proportion, according to their knowledge and experience, the *salutary* operations of all the other various *circulating media* of the nation, of which it is the centre.

It was to this circulating power of the Bank that Sir Francis Baring alluded, when he observed that, "the Bank of England is to the agriculture, commerce, and finance of Great Britain a sun, and the CIRCULATION of so many millions of its paper is the *basis* on which its convenience, property, and safety, have hitherto rested;"\* and every unprejudiced and well-informed mind must admit the justice of the remark.

It has been seen, then, that the Bank, by the issue of its notes, takes charge gratuitously of the spare and idle cash of the nation;—that it engages to return it at any moment it may be wanted;—and that it can apply the temporary use of it only to purposes beneficial to the public. We shall now proceed to show that which, above all other considerations, is the most important, namely, that it naturally always *retains in its possession*, or has the power of *recalling at will*, such a portion of this fund of deposits, as is more than sufficient, in conjunction with its own original capital, to prevent all possible risk of its ever being UNABLE to pay *in cash on demand every outstanding note that can be presented to its cashiers.*

\* Sir Francis Baring's Observations on the Letter of Walter Boyd, Esq. to Mr. Pitt, 1801.

For the purpose of rendering this important part of the Bank of England system plainly intelligible, it will be necessary briefly to describe all the OPERATIONS of this grand wheel of circulation; when it will be seen, that there can not possibly be in existence a single Bank of England note for which an equivalent value was not first deposited with the Governor and Company before it was issued from the Bank.

All the transactions and operations of this Company are, as before described, under the management and controul of a Governor, Deputy-governor, and a court of twenty-four Directors; and without the previous knowledge and sanction of this court collectively, or of committees, whose proceedings are immediately reported to the court, not a single note, even of one pound value, can be issued; except, of course, such as are delivered to the public by the appointed officers in exchange for other notes immediately cancelled, or for cash deposited on the spot; and this operation, by which the issuing of five 10*l.* notes in exchange for one 50*l.* note; or by which a 50*l.* note is issued for the receipt of fifty sovereigns, or fifty pounds in silver coin, requires no comment; since it is clear that, if the Bank possessed the means of paying their outstanding notes before either of these operations took place, the notes issued by them can make no possible alteration in that ability.

One principal operation of the Bank, by which its notes are sent into circulation, is DISCOUNTING Bills of Exchange. Let us examine the nature and effects of this operation. A merchant, who is desirous of having his bills discounted at the Bank, has a certain ordeal to pass through before he can procure Bank of England notes for the acceptances of the most responsible houses in London. The pretensions and responsibility of the applicant himself must be approved by a majority of the Court of Directors, before he is permitted, as a preliminary step, to open an account with the Company. When that sanction is obtained, the individual thus commencing an account current, puts into the hands of the principal clerk of the discount-office such bills of exchange or notes of hand as he is desirous that the Bank should discount. He leaves them for some hours; and they have then to undergo an open scrutiny by a Committee of Directors, who have not the power, if they even had the desire, of gratifying their personal favor or hatred against individuals; but who can only unite in decisions, founded on a knowledge of the general welfare of Trade and the security of the Bank. Such Bills as are approved

are discounted, and the amount of them placed to the credit of the discounters. Now, as this amount may be immediately drawn out of the Bank, and as the notes issued by this operation pass instantly into circulation, the cash in the coffers of the Bank is of course liable to be diminished by an immediate demand proportionate to the sum total of Bills so discounted; whilst the bills deposited remain non-convertible assets, until they become due. It seems, therefore, on a first view of this operation, that it would require a reserve, or, as it is technically called, a lock-up of cash, equal to that amount; and, in the infancy of the Bank, such probably might have been the case.

But the movements of this great wheel of circulation, which has now revolved for more than a century, are in some respects regulated by principles, which, though perfectly sound, in connection with its own peculiar construction and operations, would not apply generally to the Banking system; for there will be found no exact analogy to the Bank of England in any similar establishment in any part of the world.\*

For though we have seen that the Bank of England is a bank of deposit, and also a bank of discount; and though there are on the Continent both these species of Banks, yet they are totally dissimilar in their plan and operations to the Bank of England. The Deposit-Banks on the Continent receive bullion from such individuals only as keep accounts with them; they then credit the depositor for such a sum in bank money, at such a fixed rate, as the coin or bullion deposited amounts to, and they give an undertaking to pay back again the coin or bullion in the same form in which they received it, on cancelling the amount of bank money or credit with the bank, which was created on receiving the deposit. By such an arrangement, the credit, or bank-money created, can only be used in making payments between

\* It is the oversight of this very important difference in the origin, nature, and present state of the Bank of England, from all the banks ever established, or contemplated to be established, that has caused such men as Horner, Ricardo, Huskisson, and Peel, to adopt the most erroneous and mischievous errors respecting the affairs of an Institution, the nature of which the students of Political Economy will never be able correctly and thoroughly to understand from the theories of any of their great masters. The posthumous work of Mr. Ricardo, on the plan of a National Bank, is a striking proof of this, and also of his indifference or forgetfulness of the fundamental principles of the British Constitution. Amidst all the wonderful events of the age, Heaven forbid that, in our free country, such a National Bank as this celebrated political economist has projected should be suffered for a moment.

persons having mutually credit with the bank, and is applicable only to the larger transactions of commerce; and, it is evident, a Bank, according to this system, can never be called upon to pay more bullion or coin than it has actually received. The Bank of England, on the contrary, acting as a deposit-bank, gives the depositor a direct obligation (in the form of its promissory notes) to pay the specific amount in *the coin of the realm*, to whomsoever may be the bearer thereof; and such notes, consequently, circulate in the place of coin, performing the functions of cash to all intents and purposes.

AGAIN:—The Discount-Banks on the Continent issue only coin on commercial securities, and, of course, receive only coin in return, when the bills become due. This system of banking, therefore, adds nothing to the circulating medium; whereas the Bank of England, as we have shewn, issues as a discount-bank its own promissory notes in exchange for dormant securities; and thus increases the general circulation of money, by rendering itself liable to supply cash for the bills discounted whenever it may be demanded.

But, though, as before observed, in the infancy of the Bank, this responsibility might have rendered necessary a *lock-up* of cash, such is now, and such has been for a long series of years, the relative situation of the Bank of England, and the merchants of England to each other, that the daily average issue of notes by the Bank, in exchange for bills discounted, is at least counterbalanced by the daily average payments of notes into the Bank, in redemption of discounted bills falling due.

Now, supposing, for the sake of further illustration of the subject, that any portion of the bank-notes which were originally issued for bills discounted, pass, as they necessarily must, into the hands of a third party, who has no discounted bills becoming due in the hands of the Bank, and such third party were to demand coin for his notes, in that case, the discounter of the bills must, when they become due, either pay some portions in coin, or he must obtain possession of an equal amount of those bank-notes, which the bank, in the capacity of a deposit-bank, had issued for cash or bullion; and such notes would then come back to the Bank in the nature of *cancelled* notes, their value having been previously paid in coin to the bearer of the other notes originally issued to the discounter. And hence it results, that, supposing it to be possible that all the bank-notes outstanding, which were issued by the operations of the Bank, as a bank of discount, could be collected together and presented in demand for coin, then

the payers of the bills, as they fall due, must discharge them in coin, or in notes issued for coin, and thus the cash drawn out of the Bank would necessarily return again to its coffers.

There can scarcely be a caviller, therefore, who will pretend that, by the operation of discounting, the Bank can incur any risk of being *unable* to pay cash on demand for its notes.

We now, however, come to that grand operation, or rather those various operations, of the Bank, which are performed on the behalf of, or in account with, the Ministers of the King, or as the familiar phrase is—with the GOVERNMENT; and, in consequence of which, a pretty general misconception exists, that the Bank of England is a Government or State Bank. Happily, most happily, however, for the liberty and property of every Briton, this is not the true designation of the Bank of England. The common acceptance of the words "GOVERNMENT BANK," implies a Bank under the *controul* of Government; whereas the fact is, that every operation of the Bank, arising out of its connexion with the Government as the money-agents, or bankers to the Lords of the Treasury, is in all respects as optional, free, and independent an act of the Bank Proprietors, as any of the transactions of private Bankers with their respective customers can possibly be.

To enable the reader clearly to comprehend the actual relation in which the Bank and the Government stand to each other, it is necessary to explain some of the functions of the CHANCELLOR of the EXCHEQUER, and of the LORDS of the TREASURY.

Every payer of taxes knows experimentally into whose hands that portion of the Revenue of the State assessed upon himself first passes, namely, the collector; but comparatively few persons are acquainted with the further progress of that money, which they have parted with for ever. The collector, who receives the taxes from each individual tax-payer, delivers the whole amount collected by him into the hands of persons, denominated Receiver's-General, who again pay the various amounts, received from the collectors within their respective districts, into the hands of certain individuals appointed for that purpose, at a public office at Westminster, called the Exchequer; such individuals being termed Tellers of the Exchequer.

The revenue of the State thus takes a regular course into the chests of the Tellers of the Exchequer, and is then and there presumed to be in the custody of the officers of the Exchequer, the paramount officer, as his title imports, being the Chancellor of the Exchequer.

The King's Exchequer, according to the constitution of these realms, is the grand receptacle of all the revenues of the state; and when the monies are once there deposited, they are removable only by warrant of the Lords of his Majesty's Treasury, who now exercise the power formerly delegated to a single officer of the Crown, styled, the Lord High Treasurer.

At present, the Chancellor of the Exchequer may be said to be the Grand Receiver-general, and the first Lord of the Treasury the Grand Paymaster-general of the nation; and although, unquestionably, there are benefits accruing to the public from a continuation of a variety of checks, arising from certain forms of office, according to the ancient usage and customs of the Exchequer; yet, virtually, the modern Treasury is the ancient Exchequer; and in common discourse, both in and out of parliament, the terms are often used synonymously. But though all the monies of the state are thus nominally paid into the Exchequer, it is not to be understood that the actual coin and bank-notes are deposited in vaults under the roof of the old building at Westminster.

In former times, indeed, the Exchequer was literally the Bank of the Lord High Treasurer; but since the establishment of the Bank of England, the Exchequer has become rather an office of accounts and comptroll, than a repository for the safe custody of cash. The Bank, in their capacity of bankers to the Lords of the Treasury, now take that charge upon themselves, some of their principal clerks attending every day at the Exchequer, to regulate the money business of the Treasury, the money itself remaining in the coffers of the Bank, to be distributed among the various departments of government, according to the orders of the Treasury made at the Exchequer.

A very clear exposition of the nature of the transactions of the Bank with the Exchequer, was given by Mr. Abraham Newland, the chief cashier of the Bank, on the 28th March, 1797, in his examination before the committee of secrecy, appointed by the House of Lords; the following extract from which is in the precise words of that faithful officer of the Bank, who had, at that period, been nearly half a century in the service of the establishment.

Q. What is your employment at the Bank?

A. I am chief cashier, and superintend many departments therein.

Q. Will you explain to the committee the manner in which business is conducted between the Bank and the Exchequer?

A. When application is made from the Lords of the Treasury to

the Bank, to advance money on the land-tax, malt duties, vote of credit, or any other service, the rate of interest is then adjusted: after this, the Lords of the Treasury direct issues, either out of the land, malt, vote of credit on the public money, to be paid for the use of the army, navy, ordnance, or a variety of other services; upon which, credit is given to the paymaster of the army, navy, ordnance, &c. to the amount of the sum issued for that particular service, and for which the Bank receives as many Exchequer bills of £1000 each, as the said sum amounts to; which, when done, the paymasters draw on the Bank for the sum carried to the credit of their account. If the sum is a fractional part of £1000, the difference is made up in cash. If monies are issued to the paymasters of the army, navy, &c. or other persons, for any other services, out of monies remaining in the tellers' chest, then the tellers return to the clerk of the Bank as many Exchequer bills of £1000 each, as they have given credit for in the books of the paymasters, or that they have given Bank-notes for. If the parties should choose to take Bank-notes instead of a credit in the books, the Bank receives Exchequer bills in lieu thereof. If any individual has money to pay into the receipt of the Exchequer, whether it arises from loans, public duties, or any other services, the Bank gives to the tellers as many Exchequer bills of £1000 each as the above sums amount to; they having received the like sum in Bank-notes or in cash in the course of the day, for which purpose three clerks of the Bank attend every day at the Exchequer.

Q. In the receipt of bills and cash from the Exchequer in the manner which you have described, what has been the proportion of cash, and did that proportion vary in the course of last year?

A. I conceive that in the course of a year, £100,000 in cash is fully sufficient to transact the business of the Exchequer. The detail part of the business is all transacted at the Bank.

Q. What, prior to the 25th February last, was the amount of cash usually left in the Exchequer each day?

A. I should apprehend about 50 or £60,000 each day. The weekly certificate would shew it correctly.

Q. In what manner is the interest of the Exchequer bills paid and calculated? Do you receive the interest on the Exchequer bills only during the time that these Exchequer bills are in the Bank; or do you continue to receive it when they are deposited by the Bank with the Exchequer?

A. As to the first part of the question, when any money is paid on the land-tax, or any other service, the same is given to the clerks of

the Bank, and at the close of the day, the clerks of the Exchequer send up a piece of paper to the Bank clerk, informing him that so much money has been paid off the land-tax, which sum he receives, and the interest ceases at the same time: but in regard to the second part of the question, whether the Exchequer bills remain in the Bank, or are deposited in the Exchequer, the interest is continued to be paid until the land-tax is paid off.

Q. But when money is raised under the authority of parliament by Exchequer bills, when these bills have been issued from the Exchequer to the Bank, and afterwards are returned and deposited in the teller's chest, do the Bank continue to receive the interest of these bills so deposited?—A. They do.

Q. Are these bills then considered as so much cash paid by the Bank into the Exchequer; and are the Bank under an obligation to take back the Exchequer bills as cash?—A. They are.

Q. When notes or cash are paid to the Bank from the Exchequer, and Exchequer bills returned upon them, do not the Government pay interest for these Exchequer bills?

A. Undoubtedly: for they are nothing more than "pass tickets."

In explanation of this extract from the Lords' report, it may be useful to explain the nature and quality of *Exchequer bills*, which are a species of Government securities peculiar to this country. They are simply orders upon the Exchequer, entitling the bearer to the sum specified thereon, together with interest at a fixed rate *per cent. per diem*, until a period is named for their payment; that period being at the option of the Government, but which seldom exceeds twelve months from the date of their issue. When Parliament grants the supplies for the service of the year, a vote of credit generally accompanies the grant, and an act is passed, which authorises the Lords of the Treasury to issue bills of this description to a limited amount, in anticipation of, and secured upon, the regular receipt of the revenue; with a provision, that such bills shall be received in payment of taxes, and all other Government dues. Exchequer bills may therefore be considered as promissory notes of the Government bearing interest; they are issued, to supply the immediate wants of the Treasury; and as there is generally a competition among capitalists to obtain them, they, at such times, are worth a premium above their nominal value, varying according to the abundance or scarcity of ready money; but sometimes the state

of the money-market occasions them to be disposed of at a discount. The Bank of England always holds a large amount of these bills, as securities or pledges for the advances made to Government under the sanction of Parliament.

In this plain manner, it appears from the evidence of Mr. Newland, the immense concerns between the Bank and the Government are carried on: and as all the detail part of the banking business of the Government is transacted at the Bank of England, the chests of the tellers of the Exchequer contain, as Mr. Newland observed, a very small proportion of coin or Bank-notes, the grand totals of national receipts and expenditure being daily adjusted with the officers of the Exchequer, by a giving or taking of Exchequer bills, according as the balance of the receipts and payments which daily pass through the hands of the Bank may happen to require.

As a clear understanding of this part of the Bank system is indispensable to a comprehension of the distinction we are endeavouring to fix upon the mind of the reader between a Government Bank, and the Banker of Government, we shall endeavour to explain, still more familiarly, these operations of the Bank with the Exchequer. This attempt will be facilitated by bearing in mind the quality of an Exchequer bill, as already described. We will then suppose, for the purpose of illustration, that the Lords of the Treasury are empowered, by a parliamentary vote of credit, to issue a million of Exchequer bills; and that, accordingly, bills of one thousand pounds, and five hundred pounds value each are made out, and placed at the disposal of the Treasury. What do the Lords of the Treasury then do with them? They make no purchases, they pay no debts, with these Exchequer bills;—but they turn them into cash or Bank-notes, by selling them in the open money market. Who purchase them? Merchants, Bankers, and others, who, confident that they will be paid at a future period, are induced to part with their ready money, for the sake of interest. We will further suppose £250,000 out of the million are sold at the stock-exchange, on behalf of the Treasury, by the regular broker, what does he do with the cash or Bank-notes which he receives from the purchaser? He pays the money to the *Bank of England*, on account of the Government: and, on the following day, the clerk of the Bank exhibits, in his account to the Government clerk at the Exchequer, that sum of £250,000, as a portion of ready money in the hands of the Bank, at the disposal of the Treasury. Supposing, then, that all other receipts and payments between the Bank and the Exchequer on that day balanced exactly, the Bank



clerk would pay over to the teller of the Exchequer, as *pass tickets*, (according to Mr. Newland's phrase,) 250 Exchequer bills of a thousand pounds value each, previously held by the Bank, but forming of course no portion of the supposed newly-created millions. On the succeeding day we will imagine the state of the balance to be different; we will suppose that the Bank has received one hundred thousand pounds from receivers of taxes, and one hundred thousand more from the excise, the customs, the stamp office, or other sources of revenue collectively, on account of the Treasury; but that, on the other hand, the Treasury have occasion to order the Bank to place to the credit of the master-general of the ordnance one hundred thousand, to the paymaster-general of the forces two hundred thousand, to the treasurer of the navy five hundred thousand, and to the commissioners of Exchequer Bills, to pay their drafts for such old bills as are in course of payment, another hundred thousand; it results, upon this imaginary statement of the account, that the Bank would have to receive from the Exchequer £900,000, and to pay to the Exchequer £200,000, making the balance £700,000; so that the teller of the Exchequer would pay back again to the Bank the £250,000 Exchequer bills deposited the day before, and £450,000 in addition to them; thus, (supposing, for the sake of illustration, the stock of Exchequer bills in the teller's chest to have been only one million), it would, by this day's operation, be reduced to £300,000.

This imaginary sketch, though it wants the authority of a *faux simle* account, is accurately drawn from the evidence of Mr. Newland; and sufficiently near to fact to show, that however multiplied, or of whatever magnitude the transactions of the Bank of England with the Exchequer may be, there is nothing in the nature of these transactions which can possibly be construed into an arbitrary creation of Bank-notes at the will of Government. It is clearly demonstrated, on the contrary, that although this method of arranging their accounts must be an invaluable accommodation both to the Government and to the Bank, diminishing, as it does, the immense amount of circulating medium that would in any other course of proceeding be absolutely necessary for carrying on the operations of the Government in collecting and disbursing the revenues of the State; yet such is the regular flux and reflux of the resources of the whole country through these channels, the Exchequer and the Bank of England, that the former with *proper management* ought never to be destitute of legitimate sources of pecuniary power, as far as Parliament has

granted it; whilst the latter can never by such operations as above described, become UNABLE to pay in cash on demand every note that can be presented to its cashiers, until the guarantee of a British Parliament to the payment of the bills of a British Exchequer becomes of no value; a crisis, which if ever it should occur, must, at the same moment, destroy the foundations of all property of every description; and place not only corporations but individuals at the mercy of a revolutionary tribunal.

But it will be said, that besides these daily transactions of the Bank with the Government, in which the ordinary functions of a Banker are discharged, there is another branch of Government-business performed by the Bank, which requires some explanation; namely, the management of the Public Funds of the nation; or, as they are familiarly termed—the Stocks.

As this business is conducted entirely under the roof of the Bank of England, a very common error has arisen, from confounding the Public Funds with the place where all the business respecting these securities is transacted. Thus we often hear persons talk of having put their money into the Bank, when they have actually paid it for the purchase of some individual's share in one of the Public Funds, or Stocks; the books in which such transfer was registered being kept at the Bank, and the money for the dividends on such stock being also paid at the Bank. But although the Directors of the Bank are under an engagement to the Government to manage and conduct, for a certain period, and for a stipulated remuneration, the entire business of the Public Funds; that is, to provide books, offices, clerks, and every necessary appendage to the safe and convenient transaction of every private individual's interest and business in these Public Funds, including the responsibility for all forgeries, in transfers of Stock, and the risk attending the payment of so many millions of money in dividends, still, in the view we are taking of the origin and nature of Bank-notes, it must be especially understood that there is no identity of the Bank with the Public Funds: on the contrary, the Bank of England would continue to be a Corporate Company according to its charter, even supposing the National Debt, constituting the Public Funds, were to be paid off or totally extinguished.

The connexion of the Bank with the Public Funds is, in fact, confined to operations of common agency. When, for instance, an increase is made to any of the Stocks by Loans, or by Funding Exchequer Bills, the Bank receives the instalments on the behalf of Government, and when all the instalments have been paid

through the Bank to the Exchequer or Treasury, and the *lender of money* becomes converted into a *holder of stock*; then again the Bank, on behalf of the Government, pays the dividends on the stock as they become due. The nature of these transactions of the Bank cannot be better explained than by the following extract of Mr. Newland's evidence before the Committee of the House of Lords:—

“In the case of the first instalment on loans,” he observed, “upon a 15 per cent. payment on a loan of 12,000,000*l.*, which amounts to 1,800,000*l.*, the said sum remains in the Bank till the Act passes relating to the loan;—and then the chief cashier directs one of the clerks, who attend the Exchequer from the Bank, to pay the said 1,800,000*l.* into the receipts of the Exchequer, which is done by giving 1800 Exchequer Bills, of 1000*l.* each. The future instalments are paid in the same way.”

This answer explains the manner in which the Bank pays to Government the money raised by the creation of new Stock: and the next answer shews the manner in which the Bank receives from Government the money to pay the dividends.

“Q. In what manner is provision made for the payment of the quarterly dividends?”

“A. The Lords of the Treasury direct a warrant to be drawn out for the payment of particular Funds, due at each quarter, which warrants are sent to the Auditor of the Exchequer; who directs an order to be made out for the Teller of the Exchequer, to pay certain sums to satisfy the dividends then due, which warrant and order are returned to the Treasury, who direct them to be sent back to the Auditor of the Exchequer, who keeps the warrant in his own possession for his security; and upon the order directs the Teller of the Exchequer to pay certain sums thereout, to the amount of the dividends then due, and particularly specified, which they do by giving to the clerk of the Bank as many Exchequer Bills of 1000*l.* each, as the said quarterly dividends amount to, and for which the chief cashier gives a receipt: and then the Bank pay each claimant his dividend due thereon.”

In this answer Mr. Newland refers to the method already explained, by which the Bank and the Exchequer adjust their accounts. He does not mean to intimate that the Exchequer Bills thus issued to the Bank, are the *provision* for paying the dividends; for they are merely the pass-tickets, the tokens or pledges by which the transactions of that day are balanced.

It will be seen, therefore, that the operation of *paying to each*

*claimant his dividend*, is one of mere stewardship on the part of the Bank, and does not affect, either one way or other, the *ability of the Bank to pay every note that can be presented to its cashiers in cash on demand*; because, it is evident, that ere a single note is issued from the Bank in payment of the dividends, the Bank must have received and cancelled outstanding Bank-notes of a corresponding value with the new issue for the dividends. These notes, now cancelled, were originally issued by the Bank under some former operation of deposit, of discount, or of loan; and, in the course of the preceding quarter, were paid to collectors, to receivers, and ultimately to the Exchequer, through the medium of the Bank: when *the Bank cancelled the Notes*, by merely giving credit to Government for their amount in the course of their above-explained transactions at the Exchequer, that *credit* Government now *cancels* by ordering the Bank to pay dividends to that amount on *its behalf to each claimant*. The Exchequer Bills alluded to by Mr. Newland, it may be useful to repeat, are mere tokens given, at various times, by the Bank to the Exchequer, as vouchers of credit for the monies they had received; and they are now returned to the Bank by the Exchequer, because the credits they represented are disposed of by the Treasury in paying the dividends.

Such is the natural and wholesome system of banking by which the immense money-transactions of the Government of this empire have, for more than a century, been daily regulated by the Bank of England: a system *founded* on the *EQUITY* of the Government; and the *POWER* of the Bank, *cemented* by a reciprocity of interests to each other, and *sustained* by the equal and universal confidence of the *NATION* in both.

We have now viewed all the principal operations of the Bank of England in its several capacities of a *Deposit*, a *Discount*, and a *Government Bank*; and to one or other of these operations, every Bank-note that is in existence owes its creation, with the exception only of such as are paid in half-yearly dividends, to the proprietors of *Bank Stock* for their share of that portion of the profits of the Company, so divided, or to the officers of the Bank, for their salaries and allowances, or to tradesmen and others, for the permanent and incidental expences of the establishment.

The notes thus issued, by what may be termed a *House* operation, may, at this time, be considered of the same nature with those issued for *deposit* of coin; for the party receiving them has now his election of coin or notes; and the only difference is, that in the former case they are issued for coin, which *might be* taken from the Bank, but is

thus, as it were, *re-deposited*; and in the latter, are issued for coin deposited at the moment. But, during the suspension of cash-payments, the notes issued *for these purposes, and for these only*, were absolute creations of paper-money for the use of the Bank itself.

Including this operation, we have seen every channel by which a Bank of England note can possibly be issued; \* and immense as the amount of this species of currency generally in circulation may appear to be, a view of the ORIGIN and NATURE of Bank Notes, even feebly as it is here exhibited, must shew to every unprejudiced mind, that *it is absolutely IMPOSSIBLE, in the natural course of affairs, that the BANK should be UNABLE to pay in cash, on demand, whatever portion of its Notes it is POSSIBLE for any combination, however powerful, to procure and present for payment.*

Why, then, did the Government deem it necessary to restrict the Bank from paying cash for its notes, if it was really able so to do?

This is the important inquiry;—an inquiry essentially interwoven with the history of the period at which so extraordinary a measure took place; and, having furnished a key by which much that would otherwise have seemed mystical, is rendered intelligible, the solution of this seeming paradox will be easily found in a brief detail of the proceedings in Parliament, in consequence of the Order of Council, and of the Correspondence between the Government and the Bank, which preceded that desperate resource of Mr. Pitt, in a crisis to which he had been anxiously forewarned by the Directors of the Bank, that the measures he was pursuing must inevitably conduct him.

The present object, however, being merely to explain the Origin and Nature of Bank Notes, *as they were* before Mr. Pitt's interference with the concerns of that important establishment, and as, most happily for Old England, *they are now*; the mixture of any *political comments*, with the *historical facts* necessarily introduced, will be as much as possible avoided;—the subject of the national currency being of equal importance to all political parties.

\* Since this paragraph originally appeared in Kelly's Edition of Hume's England, the Directors of the Bank, under peculiar circumstances, have lent money on mortgages, and on the security of funded property; but as, in both these cases, the rent or the dividend to be received by the Bank, must, at least, *double the interest of the sum lent*, the issue of notes, under such operations, must have been comparatively trifling, and speedily returned. They have also advanced money to pay certain Pensions, in consequence of a special act of Parliament. But it must be especially remembered, that neither of these channels for the issue of bank-notes were opened till *after the Restriction on cash-payments was removed.*

The Order in Council, which *compelled* the Bank to refuse payment in gold to the holders of their notes, was issued on Sunday, the 26th of February, 1797, and was in the following words:—

“ At a Council Chamber, Whitehall, February 26, 1797.

“ By the Lords of his Majesty's Most Honourable Privy Council.

Present.—THE LORD CHANCELLOR, LORD PRESIDENT, DUKE OF PORTLAND, MARQUIS CORNWALLIS, EARL SPENCER, EARL OF LIVERPOOL, LORD GRENVILLE, MR. CHANCELLOR OF THE EXCHEQUER.

“ Upon the representation of the Chancellor of the Exchequer, stating that, from the result of the information he has received, and of the enquiries which it has been his duty to make, respecting the effect of the unusual demand for specie that has been made upon the metropolis, in consequence of ill-founded alarms in different parts of the country, it appears, that unless some measure is immediately taken, there may be reason to apprehend a want of a sufficient supply of cash to answer the exigencies of the public service. It is the unanimous opinion of the Board, that it is indispensably necessary for the public service, that the Directors of the Bank of England should forbear issuing any cash in payment, until the sense of Parliament can be taken on that subject, and the proper measures adopted thereupon for maintaining the means of circulation, and supporting the public and commercial credit of the kingdom at this important conjuncture; and it is ordered, that a copy of this minute be transmitted to the Directors of the Bank of England, and they are hereby required, on the grounds of the exigency of the case, to conform themselves thereto, until the sense of Parliament can be taken as aforesaid.

(Signed)

“ W. FAWKNER.”

Upon the receipt of this ordinance, the Bank had no alternative but to publish the following notice:

“ BANK OF ENGLAND, Feb. 27, 1797.

“ In consequence of an order of his Majesty's Privy Council, notified to the Bank last night, a copy of which is hereunto annexed, The Governor, Deputy-Governor, and Directors of the Bank of England, think it their duty to inform the proprietors of the Bank Stock, as well as the public at large, that the general concerns of the Bank are in the most affluent and flourishing situation, and such as to preclude every doubt as to the security of its notes.

"The Directors mean to continue their usual discount for the accommodation of the commercial interest, paying the amount in Bank notes; and the dividend warrants will be paid in the same manner.

(Signed) "FRANCIS MARTIN, Sec."

The consternation and alarm excited by the publication of such a notice were extreme; and, with a view to counteract their effects, a meeting was held the same day at the Mansion-House, at which the Lord Mayor presided, and the following Resolution was passed:

"Resolved unanimously, That we, the undersigned, being highly sensible how necessary the preservation of public credit is at this time, do most readily hereby declare, that we will not refuse to receive Bank-notes in payment of any sum of money to be paid to us; and we will use our utmost endeavours to make all our payments in the same manner." This resolution was immediately signed by the Lord-Mayor, and all the persons present; and, subsequently, was subscribed by above three thousand of the principal Bankers, Merchants, and Traders of the metropolis.

A Declaration of a similar tendency was signed and published by the Lords of the Privy Council.

These measures strengthened the confidence of the *Public* in the *security* of the Notes of the Bank, but the *cause* of the suspension was only to be ascertained by inquiry of Parliament; and, consequently, the proceedings of the Legislature were waited for with intense anxiety and painful apprehension by a whole nation, whose future destiny seemed at that moment to be contained in the expected revelations of Mr. Pitt; to the movement of whose lips, millions looked up, full of fear and wonder, for the divination of that omen which he only could expound.

On the same memorable 27th of February, a message was delivered from his Majesty to both Houses of Parliament, stating, "that an unusual demand of specie having been made from different parts of the country, on the metropolis, it had been found necessary to make an Order of Council, to the Directors of the Bank, prohibiting the issuing of any cash in payment, till the sense of Parliament could be taken on the subject." In the house of Lords, Lord Grenville, Secretary of State for the Foreign Department, moved, "that the communication from his Majesty should be taken into consideration the following day."

His Majesty's message being again read, next day, Lord Gren-

ville, after much prefatory matter, informed the house, that he had two motions for their consideration; and the first, "that a humble address be presented to his Majesty, to return thanks for his gracious communication, and to assure his Majesty, that he might rely with the utmost confidence on the wisdom of Parliament, to call forth, in case of necessity, the extensive resources of the kingdom," was unanimously agreed to. Lord Grenville's other motion was, "for the appointment of a select and secret committee of nine lords, to examine and report on the outstanding debts against the Bank, the state of their funds for discharging the same; the cause that rendered the order of council necessary, and which might justify the members of that house for taking the proper steps for the confirmation and continuance of that measure."

The Duke of GRAFTON said, that ministers had gone to the extreme length of a measure founded in an assumption of power, unknown to the laws and constitution of the country. They would be obliged to have recourse to a bill of indemnity to legalize their conduct; for, unless this could be obtained, the Bank Directors were liable to an action from every individual to whom they refused payment.

Lord GRENVILLE replied, that he had no objection to that measure; though the Bank were not *legally obliged to act* upon the requisition contained in the order of council.

The Duke of BEDFORD called for open discussion, as their lordships would thereby be enabled to form a judgment of facts within their own knowledge, and to ascertain how much of the present calamitous state of the country was connected with the Bank. He did not know, he said, that there was any reason why the committee should be a secret committee. Be that as it might, he could not conceive that their lordships were to determine a great national question, of such immense importance as the present, on the report of nine lords, be they whom they might. The words, as they now stood, in the resolution proposed by the secretary of state, authorized the committee to report their opinion on the necessity of confirming and continuing the measure adopted by the Bank, in consequence of the order of council; which was neither more nor less than, that the Bank should continue to stop payment, and to give only paper, instead of cash, when payment in money was demanded; a thing both inconsistent and alarming. His grace, therefore, moved, by way of amendment to Lord Grenville's motion, to leave out all that part of it which

related to the committee's reporting their opinion on the continuance of the measure.

Lord GRENVILLE said, he would certainly oppose this amendment, as it tended to take away an essential part of the original motion, and render the others of little use.

The Marquis of LANSDOWNE said, that noble lords would do him the justice to recollect, that not one session had passed over, since the year 1793, in which he had not, to use a vulgar but strong expression, *bored* their lordships with his prophetic admonitions. His mind had been early impressed with a most sacred reverence for that most delicate and indefinite thing, called Public Credit. A small pamphlet, but a most able one, had been put into his hands, and recommended to his study: it was the production of a great and distinguished member of parliament and statesman (Harley, earl of Oxford). This noble author illustrated the nature of public credit, by saying, that it was to the people of Great Britain what the soul of man was to his body. It was pure soul: it was immaterial in itself, and yet was that which gave to substance its functions. It was not the cause but the effect; it flowed from the happy organization of all the parts of the material body. It was not to be created; it was not to be forced: its precise seat in the body politic could not be discovered; it at once pervaded over, and proceeded out of the whole. It both gave and received its animation and its existence. It was not property, for no branch of the body could call it its own. It was not the king's credit; it was not the credit of parliament; it was public credit. It was that thing which sprung from the happy concoction of all the vital juices of the national frame, which proceeded from the nice distribution of our parts, and their mutual co-operation; which gave to the national system a sympathetic connection, an union of action, a correspondence and promptitude, which, in matter of finance, is known by the name of punctuality. This public credit was the soul of England; it was that which carried the nation to a height infinitely beyond its numerical power. It was our credit that set all the calculations of political arithmetic at defiance; it derided the cold diffidence of those who judged of our means by the geographical limits of the island, or the visible number of its people. Public credit did not even look to security as its basis; it always connected security with punctuality. Many lords, with their £20,000. a-year, would find it difficult to procure the loan of £1,000. on emergency, though they had perfect security to offer; when a neighbouring tradesman, with a capital of,

perhaps, only a few hundreds, would find the loan with facility. Why was this? It was the known punctuality of the one placed against the known want of punctuality in the other: it was because the lender knew, that the merchant was tenacious of a credit, about which the nobleman was indifferent. This was the character of England: this it was that had distinguished it from all the other nations of the earth, and particularly from France: there, every thing had depended upon the king's credit; here, all dependence was on the nation: there, a disorganized spirit of expence sheltered itself under the credit of the grand monarch; here, every thing contributed to, as every thing flowed again from, the fountain of public credit; and the administration of the country was, in reality, nothing more than a committee for the management of this credit. To ascribe the shock that had been given to it, to the idle stories of unfounded and exaggerated alarms, was ridiculous. It proceeded from deep, progressive, accumulated causes;—causes which all thinking men had long deplored, and which had been growing to a head under the unhappy and ill-requited confidence, which their lordships had placed in the king's ministers. It was material to endeavour to ascertain the causes that had brought us to this dilemma. One cause was manifest: the inordinate increase of expence, of places, and establishments in every corner of the empire. This had been growing to a height beyond every thing that the mind could conceive; it was incredible and scandalous; the increase of fees, of salaries, of places and pensions, of new boards of commission, and new appointments of all kinds, had not only served to open all the gates of waste and profusion, but to beat down and destroy all the checks of controul, and all the means of correction. Waste and extravagance had been systematized; one scene of abuse countenanced and protected another, and all the corners of the earth were witnesses to the ruinous waste of the treasures of England. Another, and a still more dangerous source of disorder, which had sprung up during the present administration, was, the want of unity and correspondence among the different branches of office. This was the common observation; it was visible in every department; every office seemed to be lord of its own will, and every office seemed to have unlimited power over the purse of the nation; instead of their being, as the spirit of the constitution directed, under the constant check of the treasury. If he could trust to well-founded information, every branch of office projected its own schemes, had its own expeditions, and, of course, put its

hand, at pleasure, into the purse of the nation; nay, this distraction was not even confined to office at home; but every man, in every one of our foreign settlements, had, also, his own projects, his own adventures, his own schemes of fortification, and his own sources of expence; so that every man, upon every foreign station, thought himself at liberty, and found himself so, to exercise unrestrained authority over the treasury of England. That this want of concordance, and want of correspondence, did actually subsist, not one of their lordships, who were in the habit of conversing generally in the world, would dispute. They had a glaring proof of it in a paper upon the table. Let any noble lord look at the paper of the extraordinaries of the army, and he would see the full confirmation of all that he had stated; and it was fair to reason, that, if this audacious abuse was suffered in one department, it would be practised in all. Another cause of our present shock was, undoubtedly, the war: it was contemptible to say, that sending money out of the kingdom did not make us poorer; it was contemptible to tell us, that, because it did not go forth in specie, it was therefore no diminution of our wealth; it was a great and fatal source of decrease, it diminished the re-productive power of the country, and it was found in the annual deficiencies of our revenue; which again became another cause of the present dilemma; for the minister had, year after year, to practise new expedients for the concealment or the supply of this deficiency; and thus it was, that, year after year, they had been kept in a state of delusion, which, more than any thing else, was mortal to the delicate frame of public credit. It had been said, that, in this continued delusion, the minister had displayed want of integrity, as well as want of ability; that the delusions were too great for mere folly to commit, and that no rational explanation could be given, of the conduct in which he had persevered so long, except that he was both incapable and dishonest. He confessed, that he did not incline to either of these suppositions: he could see no reason to believe that the minister could be indifferent to the fate of his country, nor did he imagine that it could be mere want of ability, such entire ignorance of arithmetic as could make him calculate ten millions short of the sum that he wanted within two months. He believed that it was not want of ability, but want of power; it was that want of authority, over the other departments of expence, which ought to reside with the first lord of the treasury; and which, by want of intimate correspondence and connexion with the other departments of office, he had fatally suffered to slip

through his hands. It used to be the distinguishing feature of the British administration, that the treasury was its heart: it distributed the necessary nourishment to the other parts; and every thing flowed from it, as the commanding centre: the other departments were necessarily subordinate. But this central point of controul had been unhappily conceded, and the first lord of the treasury, which used to confer the title of premier, had now sunk into a resemblance of the treasurer of France, under the *ancien regime*. In France, the treasury lay at the mercy of each department: the minister of marine, the minister of the interior, the minister of the exterior, and so forth, drew upon it at pleasure; and they all knew the consequences: inordinate expence, confusion, distrust, violation of faith, bankruptcy, and revolution. Such was the state of France: unhappily for England, we had made three stages in this fatal career. Good God! what a scene was opened to the eyes of Englishmen! he did not dare to approach the measure of Sunday last: he had not yet ceased to shudder at it; he would not dare to say one word as to its prudence; he only would admonish their lordships, that, upon the conduct of the legislature, in this momentous crisis, depended the fate of England. They were brought to a tremendous brink, where one single error, one single slip of the foot, would precipitate them to ruin. He had the utmost and most sacred confidence in the Bank of England; their *probity* and their *ability* were undoubted; it was totally indifferent to him whether there was a secret committee or not; he was *confident that they would come safely to the bar of that house, and prove, in the face of the world, that they were equal to all their own engagements; that they dreaded nothing but the interference of the state; and this interference it would be well for their lordships to guard against. This was the rock upon which alone we could split.* To the report of the committee of nine noble lords, who should confine themselves to the single object of examining the ability of this company, he had no objection: in his mind, too, it ought to be a secret committee, not because there ought not to be the utmost publicity in every thing that regarded the pecuniary state and circumstances of the nation, but because the *Bank of England* was a *private company, and parliament had no right to inquire and pry into their affairs.* Taking it for granted, however, that it was at their own invitation and express desire, he had no objection to the appointment of a committee of nine lords, of high and known honour, who should strictly confine themselves to the examination of their funds and their engagements: no farther. He would not venture one step beyond this examination,

and, therefore, all the latter part of the motion, and every thing which looked like, or bore the least affinity to, force, he must object to. The only way in which the measure could be countenanced was, as a measure of persuasion: he was sorry to have seen, in the order of council, so improper a term as the word "require;" it was a word unknown to the law, and which ought not to have been used; it was an importation from France. Requisition carried with it an idea of terror, which could only be carried on by force. He deprecated this dreadful feeling; it ought to have been a recommendation, not a requisition, to the Bank, and they must never lose sight of the necessary caution to be observed in this respect. The first error must be repaired; if an attempt shall be made to use force, we are gone as a people. "Mark my prophecy, my lords," exclaimed the noble marquis, "and do not disdain the counsel, while yet in time. If you attempt to make Bank-notes a legal tender, their credit will perish. They may go on for a time, but the consequence is certain. No art, no skill, no power, can prevent their falling to a discount."

The Lord Chancellor came from the woolsack to make a single observation upon the latter part of what fell from the noble marquis. He had deprecated the idea of forcing Bank-paper into circulation, by making it a legal tender. He thought it just necessary to say, that it never entered into the contemplation of his majesty's ministers to use any forcible means. It was impossible to say, in this stage of the business, what plan the wisdom of the legislature might devise, upon the report of the committee; but he could take upon himself to say, that it never yet had been conceived, that it would be wise or prudent to make Bank-notes a legal tender.

The marquis of Lansdowne expressed considerable satisfaction at the information imparted to him by the noble and learned lord on the woolsack, and said, he was extremely happy to find such were the feelings and sentiments of ministers.

The duke of Bedford's amendment being rejected, by 78 against 12, the original motion was carried without a division.

His majesty's message, relative to the situation of the Bank, became, on the same day, February 28, a subject of discussion in the House of Commons. The Chancellor of the Exchequer moved an address to his majesty, returning him thanks for his most gracious communication, and assuring him, that the house would immediately proceed to take into consideration the object recommended in the message to their serious attention. This address, in the usual form of exact correspondence to the message, was carried, *nem. con.*

Mr. Pitt then proceeded to introduce another motion, of which he had, as usual, given previous notice, with some observations relative to the state of the Bank, and certain measures that it seemed to require. It had already been ascertained, he said, even in the short space that had elapsed since the minute of council had been issued, that the public confidence in the Bank was unshaken: that no doubt was entertained, with respect to the solidity of the Bank, or its ability to answer all the demands of its creditors. Yet it was undoubtedly incumbent upon the house, he said, at so important a period, to take the proper means to satisfy themselves that the measures that had been taken, in consequence of the opinion of the privy council, had become indispensably necessary: and this rather, that parliament was now to be called upon to confirm that opinion, and sanction the measure adopted by an act of the legislature. As to the degree of satisfaction to be required, and expected, with respect to the grounds of necessity on which the measure had been adopted, the state of the Bank was a subject of inquiry of so critical and delicate a nature, that it could not, consistently with public safety, be pushed with too great particularity, or minuteness of detail. The inquiry ought to be conducted in the most discreet manner, consistent with the necessary satisfaction of the house. It would be proper, then, that the business should be confided to a secret committee, and that they should be expressly instructed, by the house, not to push their inquiries too minutely into the particulars he had suggested, but confine their investigation to such circumstances of the general state of the Bank, as might be sufficient for the purpose in view. It was not for him, he said, to point out in what manner the members of the secret committee ought to exercise the important trust committed to them by the house; but, if it should be proved, by the evidence of the members of the Bank direction, that the extent of the late demands on the Bank, and the rapidity with which they were brought forward, were likely to occasion such a pressure, *as not to leave a sufficient fund for the public service*; and that their opinion on this point entirely coincided with that of his majesty's ministers: a strong argument would then, surely, be afforded, that the measure which the *necessity of the times required on the part of the executive administration*, it was incumbent on the legislature to *confirm and enforce*. On these grounds he moved, that a secret committee be appointed to ascertain the total amount of the outstanding demands on the Bank of England, and

likewise of the funds for discharging the same; and that they do also report their opinion of the necessity of providing for the confirmation and continuance of the measures taken in pursuance of the minute of council on the twenty-sixth instant. In reply to Mr. Pitt,

Mr. Fox declared his expectation that the minister, who had conducted affairs in such a manner as to call for the measure now proposed, would not have been contented to pass, so slightly, over the nature of the present crisis, but would have thought it incumbent on him, at least, to give some general statement of the *circumstances which had led to that situation of unparalleled and unprecedented embarrassment in which we were now placed*. Every man, who read the proclamation of council, must have been struck with the reflection, that this was the first time that a measure had been adopted, by the executive government of this country, to prevent the Bank from answering the demands of its lawful creditors: a measure which, he contended, would destroy the credit of the Bank. If the measure was indispensably required, from the pressing exigency of the country, and the imperious consideration of public safety, an act of parliament was surely the only proper mode of effecting the purpose. The House of Commons was that particular branch of the legislature which it was of most essential importance should be consulted on such an occasion. The neglect that had taken place in this instance was of the most mischievous example. The king, or executive government, by the present measure, had claimed a power to annihilate, by one breath, all the property of the creditors of the Bank. It might be said, that such a power would be equally dangerous in any branch of the legislature: but it had been found, by experience, that whenever a power of this kind had been confided to a senate, or to a large body of men, it had been better preserved, and had presented fewer instances of abuse, than in those situations where the case was otherwise. The stability of credit had always been better maintained in republics, than in those governments where it depended merely on an individual, or on a small body of men only. With regard to the important point intended for the support of the Bank, namely, that the public were to be called upon to guarantee the security of Bank-notes, Mr. Fox alledged, that every sanction given by the public to the credit of individuals, though for a time it might be attended with some advantage, would ultimately be found to be injurious and destructive. As to the secrecy of the intended com-

mittee, he said, while the credit of a corporation is entire, the public have no right to pry into their secrets: but, when once a failure has taken place, or a slur has been thrown upon its character, the best remedy, if the state of its affairs be, indeed, such as to bear a fair scrutiny, is, to bring it into the utmost publicity. The house, he observed, were called on to decide on the merits of the whole transaction; and that it was necessary, for enabling them to form their judgment on the case, that all the concerns of the Bank should be investigated.

Let me beg of you not to imitate the blind confidence of the Lords of the Council, and to bestow your approbation on the *mere representation of the necessity of the measure, but to have before you all the facts and arguments connected with the transaction, and to draw your conclusion from the result of a full and impartial investigation*. Without these, it is impossible that you can fairly absolve him from the imputation of the most gross misconduct. And, under the present circumstances, I feel it to be my duty to consider the Chancellor of the Exchequer as having violated the law of the land, and given a dangerous blow to the national credit. The necessity of the case must, indeed, be well ascertained, before his conduct can be justified. It must be proved how far he had the means of knowing the danger that threatened the public service, and how far his information was of that serious and alarming nature to demand so extraordinary a precaution. I come now to another point. The directors of the Bank often told the minister what the effect would be of his sending such vast sums of money abroad. They remonstrated against such conduct. I will not enter upon the detail of the advice that was given to him at these times; but we all know, and now feel the effect of his conduct; for he sent money abroad, not only against the opinion, and in defiance of the remonstrances of the Bank, but against the known spirit, and palpably against the very letter of the constitution. Such has been the conduct of the Chancellor of the Exchequer; and I do say, we are now called upon, by the duty which we owe to the public, to give no farther credit to that minister for his statements in any public affair of finance, and more especially upon the subject which is now before us. We have for a long time had a confiding House of Commons; I want now an inquiring House of Commons.

Mr. PITT, perceiving that *some suspicions were entertained that the measure adopted for succouring public credit was designed to be permanent, assured the house, that nothing could be farther from his*



*intention.* However, while it continued, it ought to have the sanction of legislative authority.

Mr. SHERIDAN did not conceive the measure that had been adopted for its relief as a temporary expedient. He foresaw that the Bank never would be able, afterwards, to defray its outstanding engagements in cash. For, how was it possible they could? since they were about to issue a greater quantity of paper, and their cash was seized on for the public service? He did not approve of appointing a committee to inquire into the affairs of the Bank, as he had the firmest confidence in its solidity: but he deemed it highly expedient, that a committee should be appointed to inquire into the grounds on which the order of the privy council had been given. He was unfriendly to a committee for inquiring into the situation of the Bank, but, instead of opposing it, would move an amendment, which consisted in an additional clause, instructing the committee to inquire into the causes which had produced the order in council, dated February 26, "providing for the confirmation and continuance of the measure contained in the order."

Mr. DUNDAS said, that the amendment proposed negatived the original motion. While Mr. Sheridan professed himself averse to an inquiry, he proposed to enlarge it, by adding *a question respecting the causes of the embargo*; which were alleged to be a total mismanagement in every department of finance.

Mr. FOX considered the two questions of the measures to be adopted, and the cause of the present situation of the Bank, as inseparable. *Until the house were apprized of what had produced the Order of Council, relative to the disorder, they could not possibly know how to apply the remedy.\**

Mr. PITT observed, that though the motion and amendment comprised three distinct questions, yet Mr. Sheridan, by the tenor of his speech, had objected to that part of the motion which pressed an inquiry into the state of the Bank. This inquiry, however, he wished to be made, with a view to shew that its ultimate resources were solid. And this he considered to be the more necessary, that Mr. Fox, at the same time that he had expressed his conviction that they were so, had yet stated their late conduct as an act of bankruptcy not to be remedied. When gentlemen cried up the solidity of a corporate body in one breath, and in the next imputed bankruptcy to it, an inquiry became necessary, in order to establish

\* How strongly have *subsequent discoveries* proved the good common sense of this remark!

its reputation; for being equal to the discharge of all its engagements.\*

Mr. FOX replied, that he had not applied the term bankruptcy, to the state of the *Bank*, but to *government*, † to which it had long been applicable. On a division of the house, Mr. Sheridan's amendment was rejected by 244 against 86. The original motion was then carried without a division, and a secret committee chosen by ballot.

The members chosen for this committee were, Sir John Scott, Isaac Hawkins Browne, Esq. C. Bragge, Esq. John Anderson, Esq. John Fane, Esq. Thomas Grenville, Esq. William Wilberforce, Esq. William Wilberforce Bird, Esq. Charles Grey, Esq. Sir John Mitford, William Hussey, Esq. William Plumer, Esq. Thomas Powis, Esq. John Blackburne, Esq. Thomas Berry Bramstone, Esq.

Mr. FOX then moved, "That it is the duty of this House to inquire into all the causes that have produced this extraordinary measure." This resolution being agreed to, Mr. FOX gave notice that he should, on the next day, move for the appointment of a committee to that effect. Accordingly, on the next day, March 1st, Mr. FOX moved, "That a committee be appointed to inquire into the causes which had produced the order of council." This motion was seconded by General Walpole, and supported by Mr. Sheridan, Mr. Grey, Mr. Curwen, and Dr. Laurence; but opposed by Mr. Pitt, on the ground that the committee, already appointed, was competent to every purpose of inquiry. The motion, on a division of the house, was lost: the votes being, for it 53, against it 144.

A secret committee, for investigating the affairs of the Bank of England, was also appointed on the 2d of March, by the House of Lords, consisting of the Lords Chatham, Winchelsea, Graham,

\* It would be difficult to find a parallel to this extraordinary specimen of sophistry! He who had actually *compelled* the Bank, by a submission to his own mandate, to *appear for a moment insolvent*, in order to *save the Government* of which he was the head, now starts with well-affected indignation at Mr. Fox's just censure of that Government; and puts words, concerning the Bank, into that Statesman's mouth which he never uttered, on purpose that he, Mr. Pitt, who had placed the Bank in the position it then stood, should seem to have the merit of defending what had not been attacked, and establishing truths which nobody doubted; namely, the credit and the solvency of the Bank.

† In justice to Mr. Fox, the distinction between the Administration or the Government, and the Nation, must here be recollected.

(Duke of Montrose,) Hardwicke, Liverpool, Sydney, Grenville, Ossory, and De Dunstanville. On the 6th, the Earl of Chatham brought up the report of that committee.

The Committee having proceeded to take into their consideration the matters referred to them, reported thereon as follows:

“With respect to the first part of the order of the House, by which they are directed to examine and report the total amount of outstanding demands on the Bank of England, and likewise of the funds for discharging the same, they called upon the Governor of the Bank, and upon Mr. Bosanquet, one of the Directors of the Bank, (who attended them in the absence of the Deputy-Governor,) for an account to that effect; which account, having by them been produced to the Committee, was verified by the Deputy-Accountant of the Bank; and the same having been examined by the Committee, it was agreed to report the result thereof to the House, as follows:

“That the total amount of outstanding demands on the Bank, on the 25th day of February last, was £13,770,390., and that the total amount of the funds for discharging those demands, over and above the permanent debt due from Government of £11,636,800. was, on the same day of February last, £17,597,280.; and that the result is, that there was, on the 25th day of February last, a surplus of effects belonging to the Bank, beyond the total of their debts, amounting to the sum of £3,826,890. over and above the before-mentioned permanent debt of £11,636,800. due from Government.

“The Committee think it right to observe, that this account is made up to the 25th of February inclusive; and that, since that day, several considerable issues have been made by the Bank in Bank-notes, both upon government-securities, and in discounting bills, the particulars of which could not immediately be made up; but that, as those issues were made upon corresponding securities, taken with the usual care and attention, the actual balance in favour of the Bank has not been materially varied, but, if at all, has been rather increased.

“In proceeding to the consideration of the second part of the order of reference, in which the Committee are directed to report to the House their opinion on the necessity of providing for the confirmation and continuance of the measures, taken in pursuance of the minute of council of the 26th of February, the Committee have thought it right to confine their inquiries to those points only on

which that necessity appeared to them principally to depend; and having examined on these points, the Governor of the Bank, and the said Mr. Bosanquet (one of the Directors thereof), the Committee find—

“That the Bank of England has lately experienced an unusual drain of cash.

“That this drain was owing, in great part, to demands for cash from the country; such demands being made upon the Bank indirectly from the country, but directly from the bankers of London, who are to supply the country.

“That, by the effects of this drain, the cash of the Bank has been of late very considerably reduced; that it has, however, been known, by those conversant in the affairs of the Bank, to be a great deal lower; but that, on this occasion, the rapidity of the demands has been unparalleled.

“That those demands have been, of late, progressively increasing, but particularly in the last week; and that, in the two last days of that week, the demands exceeded those of the four preceding days.

“That there was every reason to apprehend, that these demands, and the consequent progressive reduction of cash, would continue, and even increase.

“That, by the effect of such reduction, if it were to continue in the same, or in a still farther increased proportion, the Bank of England would be deprived of the means of *supplying the cash which might be necessary for pressing exigencies of public service*; and this led the Bank to make the communication they did to his Majesty's ministers.

“And lastly, That since the date of the minute of council above mentioned, no such alteration has occurred as materially to vary the situation of the Bank in this respect.

“On this view of the present state of the important question referred to them, the Committee have agreed to report it to the House as their opinion, that it is necessary to *continue and confirm the measures already taken, for such time, and under such limitations and restrictions, and with such power of discontinuing the same, as to the wisdom of Parliament may seem expedient.*”

Such was the result of the solemn and strict inquiry by Parliament into the affairs of the Bank of England; from which it appears, that so far as the BANK ITSELF was concerned, there was not the slightest pretence of necessity to justify the Order of Council, which restricted

it from paying away its own cash; for it is stated in the Report, that the Bank was in possession of a *surplus of effects* beyond the total of its debts, amounting to the immense sum of *three millions eight hundred and twenty-six thousand eight hundred and ninety pounds* over and above the permanent debt due to it from Government, which, at that period, was estimated at the sum of *eleven millions six hundred and thirty-six thousand eight hundred pounds*.

It is therefore demonstrable, from this Parliamentary document, that the restriction upon the cash of the Bank was an act of power arbitrarily exercised by a bold minister over the property of a private chartered company, not for the *protection* of that company, as some have with singular absurdity proclaimed, but for the avowed purpose of appropriating the treasure of that company to the immediate exigencies of the state; for the report avows, that the *necessity of continuing the restriction*, which is the only justification offered for its origin, is founded upon the plea, that without such restriction the Bank would be deprived of the means—of what?—not of the means of *paying its own notes in cash on demand—but of the means of supplying the cash which might be necessary for the pressing exigencies of the public service*.

In referring to this act of a statesman, whose general policy has furnished a theme for so many panegyrists, we pause with astonishment at a proceeding, which, *even admitting its results to have been fortunate*, we cannot otherwise describe, than as one of the most rash and desperate efforts ever resorted to by an ambitious minister, to avert the natural consequences of a career which set all experience at a defiance.

But whatever may be the judgment which posterity may pronounce upon this act of Mr. Pitt's administration, justice will doubtless be rendered to the Directors of the Bank, for the wisdom displayed in the warnings which they repeatedly endeavoured to force upon the attention of the minister, and of which the following correspondence, between Mr. Pitt and the Bank, furnishes the record.\*

\* In an Edition of Hume's History of England, with a Continuation, published by Mr. Kelly, the whole of this very important correspondence is printed entire, together with other documents and details elucidatory of this important subject; but it will be sufficient, in this place, to insert a selection, in order to prove that which is the object of the present publication, namely—that the Bank of England, if not arbitrarily interfered with by Government, *is, and always was, able to pay in gold, all its notes on demand*. These documents will also open the eyes of those who may have imagined that the minister of the day has only to *ask and have* as many Bank-notes as he wants.

*Interview of the Deputation from the Bank with the Chancellor of the Exchequer, 18th November, 1795, being No. 9, of the Official Documents laid before Parliament.*

THE Governor informed Mr. Pitt, that the present price of gold was 4*l.* 2*s.* per ounce, and that the daily large drains of specie from the Bank filled the minds of the Directors with serious apprehensions; and that, in the present situation of their affairs, he must not rely on any aids from them, not even the vote of credit and supply bills.

The Chancellor of the Exchequer apologized for the warrants that were designed to be applied to the reduction of the amount of the treasury bills paid by the Bank, having, from the most urgent necessity, been otherwise applied to the payment of the troops going abroad. With respect to the million which he had promised should be paid in the course of this month, in further reduction of the treasury bills, he said his intention was to take out that sum in part of the land and malt, for 1796, and to pay it on this account, having no other means to do it by. The Governor then hinted to Mr. Pitt his apprehensions, from a rumour, that a further loan to the Emperor was in agitation, notwithstanding the assurances which Mr. Pitt gave him some time back, that he had not then the most distant idea of such a measure. The Chancellor replied, that he then had not such a thought, from the tardy and slow operations of the Austrians; but the face of things having since changed, and the Austrian army having been of late very active and successful, he confessed it was his opinion that a continuance of such exertions was the surest way of distressing the French, and bringing them to proper terms of peace; and on this ground the ministry now had it in contemplation to let the Emperor have another loan, not exceeding two millions, trusting that it might be done with safety; and on the consideration that the subsidies of about £900,000. per annum, which had been paid to different states in Germany for troops, would cease; and also the bills drawn for the support of our army on the Continent, which had last year amounted to near three millions sterling: beside, that should the loan take place, he had no objection to modify the stated times for the remittance thereof, so as to cause the least bad effect on the course of exchange. And he further added, that should the situation of the Bank be such as to make this measure a very hazardous one, he would, in compliance with our request, overlook every other consideration, and abandon the loan. The Governor and Deputy-Governor then told Mr. Pitt

that they would take the sense of their Court to-morrow, on the advances which he wished to have on the land and malt of 1796, and wait upon him with the determination of the Court as soon as it should break up.

(No. 13.)—*The Governor's Report, and Resolutions of the Court of Directors, 28th of January, 1796.*

The Governor having informed the Court that a notice was brought this morning from the Treasury, that certain bills, drawn on the Commissioners of the Treasury, amounting to the sum of £201,000. would fall due on Wednesday, the 3d of February, and were directed for payment at the Bank; and that the sum now in advance on treasury bills is £1,157,000.

Resolved unanimously, That the Governor do give directions to the cashiers not to advance any money for the payment of these bills, nor to discharge any part of the same, unless money shall be sent down for the purpose; in which case, such money is to be appropriated exclusively for the discharge of these bills.

Resolved, That the Governor, Deputy-Governor, and a Deputation from this Court, do wait on the Chancellor of the Exchequer, with a copy of the above resolution; and do further respectfully lay before him the determination of the Court not to continue any longer the mode of advancing the payment of treasury bills, than to such time as shall be fixed on between Mr. Pitt and the Deputation before mentioned; which time the Court hopes will not be fixed for a distant day.

(No. 14.)—*Interview with the Chancellor of the Exchequer, 29th of January, 1796.*

The Governor and Deputy-Governor, with Mr. Peters and Mr. Bosanquet, waited on Mr. Pitt this day, with the resolution of the Court, as stated in the foregoing minute. He dwelt much on the inconvenience which it would put him to, to comply with it; but, after some conversation, said he would arrange his affairs, so as to provide the money in time for the payment of the treasury bills due on the 3d of February, by applying to that purpose money which he had destined for other services.

As to fixing a period when the payment of the treasury bills shall no longer be referred to the Bank, Mr. Pitt declared himself unable to settle that at such a short notice; but that he would look into

the situation of his payments, and endeavour to form such a plan as soon as possible; and hoped to be able to conclude it by Friday, the 5th of February, when he would expect to see the deputation again.

(No. 20.)—*Interview with the Chancellor of the Exchequer, 14th of June, 1796.*

The Governor and Deputy-Governor this day waited on Mr. Pitt with a statement of the Treasury bills paid by the Bank, which advance now to the sum of.....£1,002,555 6 4

And of bills already advised, but not yet due ..... 230,093 16 1  
£1,232,649 2 5

And requested that speedy measures might be taken to pay off the same.—Mr. Pitt told them, That he had made arrangements to pay off the 200,000*l.* which he had borrowed (as by his letter of the 25th of May, copied in the private minute book of the court,) and also for the payment of 800,000*l.* out of the monies received on the last loan, for which he would take up Exchequer bills to that amount on the vote of credit of 1795; and, in consequence of these payments, he hoped the Bank would have patience to wait for the discharge of the advance on the Treasury bills above mentioned until the quarter ending the 5th of July, of the consolidated fund; when the surplus thereof should be applied to that purpose; which the Governor said he should refer to the court for their opinion.

(No. 21.)—*Copy of a Letter from the Chancellor of the Exchequer, and Resolution of the Court of Directors, 21st of July, 1796.*

*Downing-street,  
Wednesday, 20th of July, 1796.*

GENTLEMEN,—As the pressure of demands for the public service, at the present moment, prevents the payment in cash of the sum advanced by the Bank on Treasury bills, I should consider it as a great accommodation if the court would accept of Exchequer bills on the vote of credit, to the amount of the sum now due beyond five hundred thousand pounds. I would also beg the favour of you to propose to the court, in order to guard against any further excess on that point, that any further sums to be advanced for Treasury bills should be paid in Exchequer bills, on the credit of the consolidated fund, at the end of each month. I am also under the indispensable

necessity of expressing my earnest hope, that the court will be induced to make a present advance of eight hundred thousand pounds, on the credit of the consolidated fund, which will enable me to make provision for the present demands, and to pay immediately the four hundred thousand pounds lately advanced by the Bank, and the Navy bills now due. I shall also be obliged to request a further advance of the like sum of eight hundred thousand pounds, on the same security, towards the end of the month of August. It gives me much concern to be obliged to apply for an accommodation to so large an extent; but I cannot too strongly represent how necessary it is for the public service; and I trust the very large repayments which are secured to the Bank in the course of the present year, will admit of their making these temporary advances at a period when they are peculiarly important.

I have the honour to be, &c.

(Signed) Wm. Pitt.

*Governor and Deputy-Governor  
of the Bank.*

P. S. In case the Bank should find it necessary (which I hope will not be the case) to dispose of any of the Exchequer bills on the vote of credit, before provision is made for their discharge, and any loss should arise from their being at a discount in the market, I should of course propose that such a loss should be made good by the public.

After a debate on the subject of this letter, the court came to the following resolution thereon:—

Resolved, That this court do consent to receive payment for the amount of advances on the Treasury bills which have been and shall be paid before the first of August, beyond the sum of 500,000*l.* and which will be 867,700*l.* in Exchequer bills, issued on the vote of credit on the present year, under the stipulation of indemnity from loss on the sale proposed by Mr. Pitt, and to wave their claim of repayment of the 500,000*l.* till the meeting of parliament; when the court will expect that this mode of paying Treasury bills shall be totally done away.

Resolved, That the court do not consent to advance any more money for the payment of such bills which fall due after the first of August.

Resolved, That the court do consent to the other part of the letter,—To advance the sum of 800,000*l.* on the credit of Exche-

quer bills on the consolidated fund, on condition of being paid off the 400,000*l.* lately advanced to Government, and the Navy bills due and coming due; but they do not consent to advance the second sum of 800,000*l.* in the month of August.

The Governor, Deputy-Governor, with Mr. Darell and Mr. Samuel Thornton, were desired by the court to carry up these resolutions to the Chancellor of the Exchequer; which they did as soon as the court broke up: and being admitted, they gave a copy of the resolutions to Mr. Pitt, who, having read them attentively over, said, "He was obliged to the court for what they did grant, which he should accept of;" but added, that it would be of no material use, in the present circumstances of the nation, unless the other requisitions which he had made were complied with. That he must refer the affair again in a more pointed manner to the re-consideration of the court, which he would do in a letter to be sent to the Bank next Tuesday morning, for the previous deliberation of the Committee; and that he would be glad to see the Governor and Deputy-Governor again before the next court should meet."

(No. 22.)—*Copy of a Letter from the Chancellor of the Exchequer, and the Resolution of the Court of Directors, 28th of July, 1796.*

*Downing-street, Wednesday, July 27th.*

GENTLEMEN,—After attentively considering the resolutions of your court, which I received from you on Thursday last, I feel it an indispensable duty, however unwilling I am to urge any request which appears to them liable to any difficulty or objection, to represent to you, in the most earnest manner, that it will be impossible to avoid the most serious and distressing embarrassments to the public service, unless, in addition to the accommodation which has been already agreed to for the present month, the court can consent to advance the second sum of 800,000*l.* in the month of August, and can also make provision for the payment of such further Treasury bills as may fall due in the next month, or as may be drawn payable in September and October. With respect to those for the two latter months, as none such have yet been accepted, I should hope an arrangement may be made for accepting them, payable at a period subsequent to October; by which means the inconvenience of the advance may possibly be in a great degree obviated. I must request you to take the first opportunity of laying this application before your court,

and to state to them, that objects of the utmost importance to the public are involved in their determination upon it.

I have the honour to be,  
Gentlemen,

Your obedient humble servant,

(Signed) Wm. PITT.

Governor and Deputy-Governor  
of the Bank.

Resolved,—That this court do agree to advance, for the service of the public, the sum of 800,000*l.* towards the end of the month of August, on the security of Exchequer bills to be issued under the act of parliament on the surplus of the consolidated fund; and that such Treasury bills as have been accepted and shall fall due during the month of August, be likewise discharged on a deposit of like Exchequer bills, to be issued on the consolidated fund to an equal amount; which bills have been stated by the Chancellor of the Exchequer to be nearly about the sum 800,000*l.*

That this court do not engage to advance for any sum of Treasury bills which may be drawn, and shall fall due after the month of August.

That this court do expect that the Chancellor of the Exchequer will give a promise that a new mode of paying the Treasury bills shall be adopted immediately on the meeting of parliament, as this court will not continue the mode of discharging them any longer.

Resolved,—That the court, having granted this accommodation with great reluctance, and contrary to their wishes, the Governor be desired to present to Mr. Pitt a copy of the following memorial; and request of him, that, for the justification of the court of Directors, the same may be laid before his Majesty's cabinet:—

“The court of Directors of the Bank of England, fully sensible of the alarming and dangerous situation of the public credit of this kingdom, and deeply impressed with the communication lately made to them by the right honourable William Pitt, both by letter and in a conference with the Governor and Deputy-Governor, are very willing and desirous to do every thing in their power to support the national credit, and to enable his Majesty's Ministers to carry on the public service; but, in complying with the request made to them by the right honourable William Pitt, in his letter of the 27th instant, they think that they should be wanting in their duty to their

proprietors and to the public, if that compliance was not accompanied with the following most serious and solemn remonstrance; which, for the justification of their court, they desire may be laid before his Majesty's cabinet.

“They beg leave to declare, that nothing could induce them, under the present circumstances, to comply with the demand now made upon them, but the dread that their refusal might be productive of a greater evil; and nothing but the extreme pressure and exigency of the case can in any shape justify them for acceding to this measure; and they apprehend, that in so doing, they render themselves totally incapable of granting any further assistance to Government during the remainder of this year, and unable even to make the usual advances on the land and malt for the ensuing year, should those bills be passed before Christmas.

“They likewise consent to this measure, in a firm reliance that the repeated promises so frequently made to them, that the advances on the Treasury bills should be completely done away, may be actually fulfilled at the next meeting of parliament, and the necessary arrangements taken to prevent the same from ever happening again, as they conceive it to be an unconstitutional mode of raising money, what they are not warranted by their charter to consent to, and an advance always extremely inconvenient to themselves.”

(Extract from No. 27.)—Resolution of the Court of Directors, and Deputation's Interview with the Chancellor of the Exchequer, 10th of February, 1797.

The Committee met this day, and taking into their most serious consideration the certainty which now threatens us, that Mr. Pitt will be obliged to bring forward here a loan for Ireland, to the amount of 1,500,000*l.*, and the evils which will probably follow on such a measure to this house, by the sending over to that country a great part of the sum in specie,—they resolved to ask of Mr. Pitt a considerable reduction of the Bank's present advances to Government, to be raised, as he hinted, by a new loan: and they made out a statement for that purpose to be presented to him, which was as follows:

Arrears of advance on land and malt, 1794	£337,000
Ditto ditto - - - 1795	491,000
Ditto ditto - - - 1796	2,392,000
Exchequer-bills on vote of credit	968,800
Ditto on consolidated fund, 1796	1,323,000
Treasury-bills paid	1,674,645
	<hr/>
	£7,186,445
Besides arrears of interest, &c.	400,000

They desired that a deputation of the Governor, Deputy-Governor, Mr. Bosanquet, and Mr. S. Thornton, would go up to Mr. Pitt, and request that, if the Irish loan must take place, he would undertake first to arrange the repayment of the above sum to the Bank, as the only means which the Committee can propose for the defence of the Bank against the mischiefs they dread from the Irish loan.

(No. 34.)—*Resolution of the Court of Directors, and Deputation's Interview with the Chancellor of the Exchequer, 21st of February, 1797.*

The Committee observing, with great uneasiness, the large and constant decrease in the cash, held a particular consultation on that subject this day; and, on examination into the state of the cash since the beginning of this year, they found that in the course of the month of January there had been a decrease of  $\text{£}$  , and since the beginning of this month a further loss of  $\text{£}$  , and that the cash was now reduced to between  $\text{£}$  and about  $\text{£}$  value in bullion and foreign coin, and about the value of  $\text{£}$  in silver bullion. Perceiving also, by the constant calls of the bankers, from all parts of the town for cash, that there must be some extraordinary reasons for this drain, arising probably from the alarms of an expected invasion; the Committee, after maturely considering the matter, resolved to send a notice to the Chancellor of the Exchequer of the situation of matters at the Bank, and to explain exactly to him how the cash is circumstanced, that he may, if possible and proper, strike out some means of alleviating the public alarms, and stopping this apparent disposition in people's minds of having a large deposit of cash in their houses. The Governor, Deputy-Governor, with Mr. Darell and Mr. Bosanquet, were deputed to wait upon Mr. Pitt, who went to him, and after describing to him the anxiety of mind which all the Directors were under on this subject, they explained to Mr. Pitt the exact particulars above-mentioned. Mr. Pitt seemed aware that this unusual drain of cash from the Bank must arise from the alarm of an invasion, which, he observed, was now become much more general than he could think necessary. He said, that by all his informations, he could not learn of any hostile preparations of consequence making in France to invade this country, except the fleet which was re-fitting at Brest, after being driven off the coast of Ireland; but that he could not answer that no partial attack on this country would be made by such a mad and desperate enemy as we had to deal with. The deputation pressed on Mr. Pitt

to declare something of this kind in parliament, in order to ease the public mind.

The deputation then mentioned to him *the necessity of bringing forward the new loan, out of which the repayment of the seven millions to the Bank was to be made, as in the present emergency it was of the utmost consequence that our advances should be contracted as soon as possible.* He said he was occupied on that point, and hoped, in a couple of days, to have his plan so arranged as to be able to call the gentlemen together, with whom it might be necessary to negotiate for a new loan. Mr. Pitt also mentioned, that he hoped the Committee would, in the present situation of matters, think it necessary to endeavour at obtaining a supply of gold from foreign countries; which the Governor told him they were considering about, and should do what they could therein.

(No. 35.)—*Interview with the Chancellor of the Exchequer, 22d of February, 1797.*

Messrs. Goldsmid and Eliason attended the Committee this day, and were directed to give further orders to Hamburg for the purchase of gold; and were told, that an application would immediately be made to the minister to order a frigate or armed sloop to go to Hamburg to take in such gold as might be bought, and also to desire that the restriction on the captains of the packets, not to take any gold on board at Hamburg for this country, might be taken off. The Governor and Deputy-Governor waited on Mr. Pitt on this subject, who promised to apply to the Admiralty for directions about sending out a frigate or armed sloop, and that he would apply to the Post-master General to give the orders to the captains of the packets.

The Governor pressed Mr. Pitt again on the subject of the Treasury-bills, and told him, that he feared the Court would not agree to pay the Treasury-bills which fall due next week.

Mr. Pitt said he would send 50,000*l.* to the Bank, in part provision thereof, *but that he did not think he could raise the money to the full amount of the bills due.*

(No. 39.)—*Resolution of the Court of Directors, the 23d of February, 1797.*

“RESOLVED, That it is the opinion of this Court, that the Treasury-bills of exchange shall be paid, which will become due in the course of next week, to the amount of about 150,000*l.*; *but that no other Treasury-bills of exchange shall be paid by this house until money be issued to the Bank to pay the same.*”

The Governor and Deputy-Governor were desired to go and wait upon Mr. Pitt with the above Resolution, as soon as the Court broke up.\*

The official correspondence from which the above extracts are selected, clearly develops the real motives and causes of the suspension of cash-payments at the Bank of England. The exposition which has been given of the nature of the operations of the Bank must have satisfied every impartial reader, that, as far as the *Bank itself is concerned*, it is impossible that such a proceeding should ever be necessary to its security. At the same time, these documents prove that the suspension was altogether a measure of state-policy, which, in every point of view, must be considered one of the most desperate acts ever resorted to by any minister of this country. At the period when it took place, however, so very imperfectly was the subject of the National Currency understood, that, instead of that general indignation against its author, which such a measure ought naturally to have excited, there succeeded, to the unavoidable impulses of surprise and alarm, a perplexed and confused state of public opinion respecting the restriction, until at length its cause and its consequences were viewed with perfect apathy. But Time destroys the artificial coverings with which short-sighted policy attempts to veil the truth; and the fatal errors of statesmen, which their own sophistry and the flattery of cotemporaries may for a period disguise, must, sooner or later, be viewed in their naked deformity; and be felt (as at this crisis) in their calamitous effects.

No future historian will be able to conceal that Mr. Pitt, by this measure, violated the purest sanctuary of public credit that ever graced or benefitted any nation. It is impossible correctly to appreciate the immense advantages which have resulted from the establishment of the Bank of England, and then to contemplate the baneful interference of that Minister with the operations of such an institution, without pronouncing, that Mr. Pitt either had not the requisite capacity of a statesman to perceive the danger to which his

\* The dates and tenor of the two last documents prove more than volumes of argument the true cause of the restriction. On the 23d of February, 1797, the ultimatum of the Bank at length convinced Mr. Pitt, that his credit, as First Lord of the Treasury, was at an end; and four days afterwards was issued the "Order of Council," which put all the specie of the Bank in a state of requisition for the exclusive use of the Government, and made the Bank appear, for the moment, under a cloud of disgrace that ought to have rested solely on himself.

visionary schemes of subsidizing foreign powers exposed the Bank and the public credit of the country, even when that danger was positively and repeatedly pointed out to him; or, that perceiving the danger, he was still so intoxicated as to imagine, that the hostility of other foreign nations against the revolution of France was not too dearly purchased by endangering the public credit of his own.

There is no retreat for the reputation of Mr. Pitt from this dilemma, nor indeed do his most zealous partisans attempt it. His defence has however been undertaken on the latter issue; and his advocates contend, that it was the true policy of England, at that period, to have drained her resources to the last guinea, in subsidizing the other continental powers to resist the arms of revolutionary France, as the best means of her own salvation. But even admitting, for a moment, the truth of this doctrine, which at least is open to dispute, still even that argument is no defence of Mr. Pitt's equivocating and faithless conduct towards the Bank.

In recurring to the above correspondence for proofs of the justice of these remarks, it is unnecessary to enlarge upon the *unconstitutional* nature of the requisitions which Mr. Pitt made upon the treasures of the Bank, his unstatesmanlike shifts for *temporary accommodations*, his ready promises, or his weak excuses for the breach of them; it is sufficient for the present purpose that these documents demonstrate, incontestibly, that the *necessity* of the suspension of cash-payments at the Bank (a measure that sapped the very foundation of the credit of the nation, and by disturbing all the relations of money with prices, became the cause of the present calamities of the country); it is sufficient that these documents prove that the *necessity of this suspension* did not come by surprise upon the responsible guardian of public credit, did not suddenly arise from some unexpected cause, but was the natural and foretold result of his wild system of expenditure in *loans and subsidies to foreign states*; perseveringly persisted in, in defiance of the entreaties, the warnings, and the remonstrances of the Directors of the Bank.

If then, as we have seen, Mr. Pitt, regardless of these warnings against the danger of arriving at such a crisis, obstinately persevered in his rash career, what motive can be assigned for such conduct, but that he ignorantly disbelieved the danger, unless it could be supposed, as some indeed have insinuated, that he actually *sought the crisis*, as a pretext for those *ulterior proceedings*, which were to cover his past errors, and arm him with a legal authority to tamper with the credit of the Bank, and remove the only solid foundation of the national



currency. Be this as it may, *the crisis long foretold at length arrived*, and the Directors of the Bank, in the discharge of their trust, were compelled to say to Mr. Pitt, "We yielded our own judgment to your assurances, that the *salvation of the country* depended upon our compliance with your demands; you then promised us a reduction of your debt; we implicitly trusted in the good faith of a British Prime Minister, for we should have disdained a previous doubt; we have been deceived, and we dare not place further reliance on promises that may disappoint us again; *to-day we are in a state to pay every demand that can be made upon us,\* by withholding a further supply to you*; here then we pause; and rather than incur the risk of becoming unable to find cash for every note that can be presented to our cashiers, we will never issue another."

Such was the language of the Directors of the Bank, genuinely construed from the text of the above correspondence:—and when this just resolve was communicated as *irrevocable* to Mr. Pitt, then, and not till then, *having first issued* the "Order in Council," which deprived the Bank of the controul of its own property, he addressed himself to Parliament, and disclosed that rash measure to the world; but so disguised with the flowers of his own oratory and that of his colleagues and disciples, that he experienced no difficulty in confusing the minds of a majority of the senate, and the public

\* Proofs of the truth of this assertion:—

On the 26th of February, 1797, as it was *proved* to the Committees of Inquiry, appointed by both Houses of Parliament, the Bank was—

<i>Debtor.</i>		<i>Creditor.</i>	
Bank notes in circulation	£8,640,250	Cash, Bullion, Discounted Bills, and other Credits, exclusive of the Debt due from Government	£6,924,790
Drawing Accounts, Audit Rolls, Exchequer-bills, and other Debts.....	5,130,140		
	13,770,390	Advances on Government	10,672,490
Balance in favour of the Bank, exclusive of the permanent Debt due from Government...	3,826,890	Securities .....	
	17,597,280		£17,597,280

It thus appears, the Discounted Bills, Cash, and Bullion, actually in possession of the Bank, amounted to £4,176,080; and that they held Exchequer-bills to the amount of £8,228,000. Without resorting to the sale of a single Exchequer-bill, it is *incontrovertible*, therefore, that, on that day, the Bank had coin and bullion sufficient to answer on demand so much of the £8,640,250 of outstanding Bank-notes as it was *possible*, considering *the whole question*, any of the holders of such Notes, after paying *their own debts and taxes*, could present for gold, for the sake of hoarding up, or any other purpose.

with a variety of *imaginary* causes for the necessity of the measure, and diverting their attention from the *true source* of the calamity. There were not wanting, however, even at that period, patriotic individuals, whose enlightened minds penetrated the *mysteriousness* of this transaction, and who, in defiance both of prejudice and power, remonstrated against the delusion.

In the following document there is so much patriotism and truth, that, if no other monument remained to his memory, posterity, from this alone, may estimate the loss his country sustained in the early death of FRANCIS, Duke of Bedford.

When this subject was taken into consideration, in the house of peers, the duke of Bedford observed, that when he first read the order of council, ascribing the drain of cash from the Bank to unfounded alarms of invasion, he doubted the truth of the allegation. But when he found that a committee, appointed by ballot, to inquire into the circumstances which rendered that order necessary, was composed not only of the zealous supporters of administration but of members of that very cabinet on whose conduct they were appointed to decide, his doubts were confirmed. He therefore thought it his duty to move for another committee, with more extended powers than the former, which was agreed to. But the committee, as before, was composed almost entirely of their own supporters, with a due proportion of the members of the cabinet. He was disposed to doubt the matter contained in the order of council, from the beginning; and these doubts were confirmed by an investigation of the report of the committee. On the correspondence which had taken place between the Bank-Directors and the Chancellor of the Exchequer, he meant to propose certain resolutions, of which he proceeded to state the substance. His Grace went through the different parts of the correspondence, and particularly adverted to the resolution of the court of Directors of the 11th of February, 1796; and Mr. Pitt's answer to it, in which *he promises neither to make any further loan, nor advances to the Emperor, without previously consulting the Bank; while, at the very moment, he was sending money to his Imperial Majesty*. After reprobating the conduct of administration, in the severest terms, he moved the first of the following resolutions:—

I. That it appears to this house, that subsequent to the month of June, 1795, and during the year 1796, a great diminution was experienced in the specie of the Bank of England.

II. That it appears to this house, that the Governor, and Deputy-

Governor of the Bank, did, at various times, represent to the Chancellor of the Exchequer, the danger to the Bank from the diminution of its specie, particularly at the following periods: (amounting to twelve, and which were particularly specified).

III. That it appears, that, during these periods, the Directors of the Bank frequently remonstrated with the Chancellor of the Exchequer, on the magnitude of their advances to government, anxiously requiring payment, or a considerable reduction of the same; but that, nevertheless, the Chancellor of the Exchequer not only neglected to comply with the object of these remonstrances, but, usually, under the pretence of the necessity of the public service, renewed his demands for further aid; and that, under the exigency of the case, as stated to them by the Chancellor of the Exchequer, the Directors of the Bank were, from time to time, induced to consent to further accommodation.

IV. That it appears, that the Chancellor of the Exchequer, frequently solicited such further accommodation, in the most anxious and pressing terms; declaring, that it was impossible to avoid the most serious embarrassment to the public service, unless the Directors of the Bank afforded the assistance he required.

V. That it appears, that although by these means the Directors of the Bank were induced to comply with his demands, they generally expressed their reluctance in strong language; and, that they, at last, that is to say, on the twenty-eighth of July, 1796, thought it necessary, for their own justification, to request the Chancellor of the Exchequer to lay before his Majesty's Cabinet their most solemn and serious remonstrance: in which they declare, that, "sensible of the alarming and dangerous state of public credit, nothing could induce them to comply with the demand then made upon them, but the dread that their refusal might be productive of greater evil."

VI. That it appears, that, during the above period, a considerable portion of the Bank advances was occasioned by payments of Bills of Exchange drawn on the Treasury from abroad.

VII. That it appears, that it had seldom been the custom of the Bank of England, to advance, on the account of such bills, more than from 20,000*l.* to 30,000*l.*; and that, even during the American war, such bills never exceeded, at any one time, the sum of 150,000*l.*; the wisdom of our ancestors having foreseen, and provided against the mischief of similar advances, by a clause, in an act passed in the fifth year of William and Mary, by which the Governor and Com-

pany of the Bank of England were restrained from advancing any sums of money, other than on such funds on which a credit is granted by parliament.

VIII. That it appears, that, from and after the year 1793, at which time an Act of Parliament passed, containing a clause, by which the Directors of the Bank are indemnified for the advances they had made out of the bills drawn from abroad, and exempted in future from the penalties of the said Act of William and Mary, respecting such advances to Government, the amount of Treasury-bills paid at the Bank continued progressively to increase; and that, between the 1st of January, 1795, and the 25th of February, 1797, sums to the amount of upwards of 15,000,000*l.* were, at different periods, advanced to government, upon this head.

IX. That it appears, that the Directors of the Bank did, at various times, during the years 1795, 1796, and 1797, apply to the Chancellor of the Exchequer for repayment of such advances, and represented to him the ruinous consequences, to themselves and to the public, of continuing the system of making Treasury-bills payable at the Bank; and that they even declared, they conceived it to be "an unconstitutional mode of raising money, and what they were not warranted by their charter to consent to."

X. That it appears that the Chancellor of the Exchequer did, at various times in that period, undertake to reduce the advances on that head, within the sum of 500,000*l.*, and likewise so to arrange his payments so as to put an end to the account; but that, nevertheless, the said promises never were kept by him, and that the advances on Treasury-bills, on the 28th of February, 1797, amounted to 1,619,049*l.*

XI. That it appears to this house, that foreign remittances, to a much larger amount than ever were known in the most expensive wars in which this country has been involved, have taken place since the year 1793.

XII. That the extent of such remittances, occasioned, at so early a period as the end of the year 1794, and the beginning of the year 1795, caused great alarms in the minds of the Directors, which they had at various periods communicated to the Chancellor of the Exchequer, and that on the 3d of December, 1795, the Court of Directors, under the apprehension that it was intended to grant a further loan to the emperor, came to a resolution, by which they declare their unanimous opinion, that, should such a loan take place, it would be "most fatal in its consequences to the Bank of England."

That they communicated such Resolution to the Chancellor of the Exchequer, who assured them, "he should lay aside all thoughts of it, unless the situation of things, relative to the Bank, should so alter as to render such a loan of no importance or inconvenience to them."

XIII. That, on the 5th of February, 1796, the Chancellor of the Exchequer, after stating, in conversation with the Governor and deputation from the Bank of England, his opinion of the necessity of further assisting the emperor, promised to take no steps in that business, without previously communicating to them his intention.

XIV. That, on the 11th of February, 1796, the Directors of the Bank passed unanimously the following Resolutions:

*Resolved,*

That it is the opinion of this Court, founded on the experience of the effects of the late imperial loan, that if any other loan or advance of money to the emperor, or to any other foreign state, should, in the present state of affairs take place, it will, in all probability, prove fatal to the Bank of England.

The Court of Directors, therefore, do most earnestly deprecate the adoption of any such measure, and they solemnly protest against any responsibility for the calamitous consequences that may follow thereupon."

To which resolution, when communicated to him, the Chancellor of the Exchequer returned for answer, "That, after the repeated intimation which he had given to the Governor of the Bank, that no further loan to the emperor would be resolved on, without previous communication with the Bank, he did not see any reason for these resolutions; that he did suppose they were adopted in a moment of alarm, and that he should consider them in that light.

XV. That, both from the general tenor of the said answer, and from its particular reference to the substance and matter of the resolutions then communicated to him, he gave the Governors, &c. of the Bank to understand, that he was bound by promise to them to negotiate no loan for the service of his imperial majesty, nor to make any remittance either to his said imperial majesty, or any foreign prince, under any pretence whatsoever, without previously communicating such his intention to the Bank of England; that the Directors so understood him, and that, impressed with that belief, they abstained from making any further remonstrances on this subject.

XVI. That, nevertheless, the Chancellor of the Exchequer, for some time prior to February 11th, 1796, clandestinely remitted, and did, for several months subsequent, clandestinely remit his said Imperial Majesty, and other foreign Princes, large sums of money, in defiance of his repeated promises, and in violation of his solemn engagement with the Bank of England, and consequent upon their own Resolution of the 11th of February.

XVII. That it appears, that if the said advances of the Bank to Government had been paid off when required, or considerably reduced, the Bank would have been enabled to reduce, if expedient, the amount of its outstanding notes; and that such option would have been of essential service to its interests.

XVIII. That it appears from the evidence of the Governor and Deputy-Governor of the Bank, that if the said advances had been paid off when required, or considerably reduced, the Bank would have been enabled to give more extended aid to the mercantile interest of Great Britain, in the way of discount.

XIX. That it appears, that if the advances on Treasury-bills had been paid off when required, and as the Chancellor of the Exchequer had promised, and the foreign remittances abstained from, as the Chancellor of the Exchequer had likewise promised, there would have existed *no necessity for suspending* the due and ordinary course of the Bank payments in cash.

XX. That it appears to this house, upon an attentive examination of the evidence reported by the secret committee, upon a minute perusal of the correspondence between the Governor and Directors of the Bank of England and the Chancellor of the Exchequer, during the years 1795, 1796, and 1797; and, after a thorough review of the whole circumstances of the case, that the neglect of the Chancellor of the Exchequer, in discharging or sufficiently diminishing the amount of the sums advanced to Government by the Bank of England, his perseverance in directing Treasury-bills of Exchange, to an amount unexampled, to be paid at the Bank; his frequent promises, and constant breach of those promises, to reduce their amount within the sum of 500,000*l.*; and that the enormous amount of his remittances to foreign Princes, in loans and subsidies, were the *principal and leading causes* which produced the necessity for the order of council on the 26th of February last.

In this document the causes of "the Order in Council," suspending the issue of cash by the Bank, are not only so impartially and

correctly but so luminously stated, that it could not fail greatly to enlighten the nation upon that important subject. As, however, the sanction of the legislature to this measure of Mr. Pitt, virtually relieved the Bank, for a time, from the responsibility of their obligations; it has been plausibly held forth to the public as an act for the *protection of the Bank*, than which there never was, in fact, a more preposterous misnomer. Against whom, or what, was the Bank protected by a measure which covered it for the moment with unmerited disgrace, by shifting the odium of stopping payment from the Government, who were the debtors, upon the Bank, who were the creditors? If the Directors of the Bank, instead of accepting this species of protection, had then closed their doors, the important operations between the Exchequer and the Bank must have *suddenly stopped*, and the current demands of the Bank upon the Exchequer must, in that case, have been liquidated by an instant requisition upon the country at large, through Parliament, for the amount of that debt, which, on the 10th of February, (sixteen days prior to the suspension,) according to a statement delivered to Mr. Pitt, and specified in No. 27, of the Correspondence, amounted to a total of 7,586,445*l.*

This debt being paid to the Bank, as upon every principle of common equity, and every view of national policy, in such a case, it must have been, Bank-notes to that amount would thus have been cancelled at the Exchequer; and for every other note afterwards remaining in circulation, cash, if required would have been ready, and a surplus left in the coffers of the Bank, as was actually ascertained, amounting to 3,826,890*l.* over and above the permanent debt of 11,686,800*l.* which would have remained due from the nation to the Bank.

That a dreadful state of public confusion, if not actual revolution, would have been the result of such a proceeding on the part of the Bank, or of any other method of resistance to "the Order in Council," to which that corporation could have resorted, can scarcely be doubted; and the Bank, therefore, by yielding, without remonstrance, to this temporary stigma, though, to use the words of Lord Grenville, "*not legally obliged to act upon the requisition,*" so far from becoming itself an object of parliamentary protection, *actually protected* the government from the responsibility, and the country from the effects of as dire a crisis as ever frowned upon a nation.

Having thus traced to its *true source*, this desperate expedient of Mr. Pitt, let us now take a brief view of its baneful consequences.

In England, gold is the true standard of value; and until the 27th of February, 1797, it was the foundation upon which all the currency, or, as it is sometimes called, the circulating medium of the whole kingdom poised itself. In other words, the price of every article of consumption, and the value of every disposable commodity were constantly regulated by an implied calculation of the quantity of gold coin, which could if needful be procured in exchange for whatever was bought or sold. Every debtor being compelled by law to pay his creditor in such gold coin, if the demand exceeded twenty-five pounds, (so much and no more of silver coin being a legal tender,) the *power of commanding the coin* of course *measured the price*, which any individual could prudently contract to give for whatever he was desirous of purchasing. On this golden foundation a currency of Bank of England notes had been raised, by means of which the transfer or exchange of property of every species was greatly facilitated, without any material fluctuation of price, *because the possessor of the paper currency, could at his pleasure obtain the amount specified, in coin of an unvarying standard of value.* The constant liability of the Bank to pay coin for its notes when demanded, necessarily kept that species of currency *within such limits as were circumscribed by its proportion to the amount of the actual coin or bullion in the nation;* and thus one solid foundation of intrinsic value served as the steady measure of prices.

But when the restriction upon the Bank of England had ceased to surprise or alarm, and was continued from year to year until the country at large became gradually familiarized to a *paper currency*, a very serious evil resulting from the *disuse of gold* began sensibly to operate. This evil was primarily occasioned by the *indifference* which took possession of the minds of a vast portion of the population, whether the *paper currency*, in which they regulated their dealings, consisted of *Bank of England notes*, or *private country bankers' paper*, when neither were convertible into coin. In many districts of the country, the notes of the local Bankers were actually preferred to those of the Bank of England; a circumstance by no means surprising, when we reflect how much alarm was excited by *exaggerated reports of forgeries of the Bank of England notes*, and when we know that the *essential difference in the origin and nature* of the two species of Notes *never entered into the contemplation* of a majority of the individuals in whose hands either of them *indiscriminately*

performed all the functions of cash. Hence was acquired, by the COUNTRY BANKERS in every part of the kingdom, a power of creating a species of paper-money, which, from the state of ignorance as well as prejudice in which the public mind was suffered to remain, became the almost exclusive currency of the several districts in which these Country Banks were planted. Had there then been spread over the country even the imperfect knowledge contained in the foregoing pages, relative to the origin and nature of Bank of England notes, the simplest rustic would have understood the value of that law, which compelled private Bankers of every description to pay at all times either coin or Bank of England notes in exchange for their own paper; for, had the public generally known that no Bank of England note was ever issued, or could possibly be issued, until its actual value had been deposited at the Bank, with a view to its future payment in coin of the realm, people would have required Bank of England notes for all such amounts of the local notes of Country Bankers, as exceeded the sum necessary for the minor operations of commerce, or the purposes of domestic expenditure. The private Banker would consequently have been compelled to restrain the issue of his own notes within such an amount as he could, if required, redeem with Bank of England notes; and, as Bank of England notes, notwithstanding the restriction, could only have been obtained for value previously deposited with the Bank, a true and equitable measure of value would thus have been retained to our currency, even in the absence of gold: and thus would have been prevented that calamitous, because artificial and unwarranted, rise in the price of all commodities, which followed the restriction, and was the result of an indiscriminate confidence in a paper currency, principally composed of the notes of Country Bankers.

The necessity imposed upon private Bankers of keeping a stock of Bank of England notes, proportionate to the issue of their own notes, was the only security which the legislature could give to the public during the restriction upon payments in cash; but when public opinion counteracted that provision of the legislature, by establishing in most parts of the kingdom an absolute preference of the local Bankers' notes to those of the Bank of England; and when a return to a metallic currency was not only deemed problematical, but by many considered as impossible, it is not surprising, that Country Bankers were induced to avail themselves of a power voluntarily assigned to them; and by converting their credit into an artificial capital, almost unconsciously became the authors of great mischief

to the community.\* That salutary restraint which renders it impossible for the Bank of England to trade in any branch of commerce, and which effectually prevents the perversion of its power to purposes of monopoly, could not be, by any contrivance, imposed upon these private Banks, to which existing circumstances unhappily had given for a time a power of coining the confidence of their neighbours into a conventional currency, without the possibility of a guarantee against the abuse of such power.

The natural consequences ensued. The temptation presented to the established country Banks, to substitute their own paper currency for that of the Bank of England, and to supply farmers, shop-keepers, and manufacturers, with their local notes at a rate of interest or profit, was, under such circumstances, too strong to be resisted; and it would be unjust to ascribe to a class of individuals, composed of some of the most respectable persons in the nation, any foresight of the evils they were producing, when they were merely availing themselves of a state of affairs, which to them very naturally appeared that "tide in the affairs of men, which, taken at the flood, leads on to fortune." Not only, however, were the paper issues of long-established Country Banks increased beyond all bounds, in consequence of this temptation; but new Banks actually beginning business, and issuing notes on the sole principles of non-convertibility, sprang up and multiplied in every corner of the kingdom, until scarcely a village could be named without a Bank in its vicinity. Thus the old-established Country Banks, in addition to the impulse of gain, were compelled by the stimulus of competition, to become less and less scrupulous in balancing the nature, if not the value, of their deposits against the extent of their issues; and there was thus created, and spread all over the Country, a most unwarrantable amount of this species of paper currency, which circulated indiscriminately with the notes of the Bank of England; and as the price of all articles, even GOLD and LAND itself was affected by the amount of the whole mass of paper circulation, without any regard to the nature of the alloy, the inevitable consequence was a general advance in the nominal or current value of whatever was an object of demand.

\* The reader will bear in mind, that these pages are re-printed nearly verbatim from Kelly's Edition of 'Hume's History of England,' for which they were written, and in which they were published, in the year 1824, so that no personal allusion to the particular Banks, which have recently failed, could possibly have been in the mind of the Author.

It is thus evident, that the spurious nature, and the redundancy of that part of the circulating medium, which consisted of Country Banker's local notes, were evils originating in the restriction on the Bank; and the inevitable tendency of such a state of the currency was, it must be repeated, to increase the *nominal* value or *current* price of all commodities; and, consequently, to raise the value of gold, as well as to turn the foreign exchanges against this country. Every successive loan that was borrowed by the Government was contracted upon higher and higher terms, through the same artificial rise of stocks; and the evils of the system of suspension were rapidly increasing in every direction, when, in the year 1810, the attention of the legislature was called to the existence of this alarming calamity by Mr. Francis Horner, whose acute mind and solid talents peculiarly qualified him for such a task. A select committee was appointed by the House of Commons, "to enquire into the cause of the high price of bullion, and to take into consideration the state of the circulating medium, and of the exchanges between Great Britain and foreign parts," of which Mr. Horner was elected chairman.

This committee having sat from the 22d. of February, till the 25th of May, presented a voluminous report to the House, which was ordered to be printed. On this report it is necessary to bestow some attention, as, notwithstanding its great, and in many points deserved, reputation, its doctrine respecting the *Bank of England* is *fundamentally* erroneous. With all the *general principles* of Mr. Horner, as well as with those of Mr. Huskisson, in his defence of the Report, every enlightened statesman and philosopher must agree; and the present task is consequently narrowed to pointing out those passages in which *erroneous conclusions* are drawn from, or *false applications* made of, these principles, with reference to *Bank of England operations*, of which both these gentlemen betray their ignorance.

The Bullion Report proved that, measured by the currency of Great Britain, as it was in 1810, the market price of gold bullion had risen in an extraordinary degree, and that the exchanges with the continent had suffered a depression equally remarkable, and it pronounced "that these facts pointed to something wrong in the state of our own domestic currency as the cause of both." This "something wrong" the committee very easily discovered was occasioned by that *suspension of cash payments* of which we have given the history, and they recommended to the House of Commons to remove it, in the following words:—

"Upon a review of all the facts and reasonings which have been submitted to the consideration of your committee in the course of their enquiry, they have formed an opinion, which they submit to the House:—That there is at present an excess in the paper circulation of this country, of which the most unequivocal symptom is the very high price of bullion, and next to that, the low state of the continental exchanges; that this excess is to be ascribed to the want of a sufficient check and controul in the issues of paper from the *Bank of England*; and originally to the suspension of cash payments, which removed the natural and true controul. For, upon a general view of the subject, your committee are of opinion, that no safe, certain, and constantly adequate provision against an excess of paper currency, either occasional or permanent, can be found, except in the convertibility of all such paper into specie. Your committee cannot, therefore, but see reason to regret, that the suspension of cash payments, which, in the most favourable light in which it can be viewed, was only a temporary measure, has been continued so long; and particularly that by the manner in which the present continuing act is framed, the character should have been given to it of a permanent war measure.

"Your committee conceive that it would be superfluous to point out, in detail, the disadvantages which must result to the country, from any such general excess of currency as lowers its relative value. The effect of such an augmentation of prices upon all money transactions for time; the unavoidable injury suffered by annuitants and by creditors of every description, both private and public; the unintended advantage gained by Government and all other debtors are consequences too obvious to require proof, and too repugnant to justice to be left without remedy. By far the most important portion of this effect appears to your Committee to be that which is communicated to the wages of common country labour, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money, than the price of any other species of labour or commodity. And it is enough for your Committee to allude to some classes of the public servants, whose pay, if once raised in consequence of a depreciation of money, cannot so conveniently be reduced again to its former rate, even after money shall have recovered its value. The future progress of these inconveniences and evils, if not checked, must, at no great distance of time, work a practical conviction upon the minds of all those who may still doubt their existence; but even if their progressive increase

were less probable than it appears to your Committee, they cannot help expressing an opinion, that the integrity and honour of Parliament are concerned, not to authorize, longer than is required by imperious necessity, the continuance in this great commercial country of a system of circulation, *in which that natural check or controul is absent*, which maintains the value of money, and, by the *permanency of that common standard of value, secures the substantial justice and faith of monied contracts and obligations between man and man.*

"Your Committee moreover beg leave to advert to the temptation to resort to a depreciation even of the value of the gold coin by an alteration of the standard, to which Parliament itself might be subjected by a great and long-continued excess of paper. This has been the resource of many Governments under such circumstances, and is the obvious and most easy remedy to the evil in question. But it is unnecessary to dwell on the breach of public faith, and dereliction of a primary duty of Government, which would manifestly be implied in preferring the reduction of the coin down to the standard of the paper, to the restoration of the paper to the legal standard of the coin.

"Your Committee, therefore, having very anxiously and deliberately considered this subject, report it to the House, as their opinion, That the system of the circulating medium of this country ought to be brought back, with as much speed as is compatible with a wise and necessary caution, to the original principle of cash payments at the option of the holder of Bank-paper.

"Your Committee have understood that remedies, or palliatives, of a different nature, have been projected; such as a compulsory limitation of the amount of Bank advances and discounts during the continuance of the suspension; or, a compulsory limitation, during the same period, of the rate of Bank profits and dividends, by carrying the surplus of profits above that rate to the public account. But, in the judgment of your Committee, such indirect schemes, for palliating the possible evils resulting from the suspension of cash payments, would prove wholly inadequate for that purpose, because the necessary proportion could never be adjusted, and, if once fixed, might aggravate very much the inconveniences of a temporary pressure; and even if their efficacy could be made to appear, they would be objectionable as a most hurtful and improper interference with the rights of commercial property.

"According to the best judgment your committee have been enabled to form, no sufficient remedy for the present, or security

for the future, can be pointed out, except the repeal of the law which suspends the cash-payments of the Bank of England.

"In effecting so important a change, your committee are of opinion, that some difficulties must be encountered, and that there are some contingent dangers to the Bank, against which it ought most carefully and strongly to be guarded. But all those may be effectually provided for, by intrusting to the discretion of the Bank itself the charge of conducting and completing the operation, and by allowing to the Bank so ample a period of time for conducting it, as will be more than sufficient to effect its completion. To the discretion, experience, and integrity of the Directors of the Bank, your committee believe that Parliament may safely intrust the charge of effecting that which Parliament may, in its wisdom, determine upon as necessary to be effected; and that the Directors of that great institution, far from making themselves a party with those who have *a temporary interest in spreading alarm, will take a much longer view of the permanent interests of the Bank, as INDISSOLUBLY BLENDED with those of the public.* The particular mode of gradually effecting the resumption of cash-payments ought, therefore, in the opinion of your committee, to be left, in a great measure, to the discretion of the Bank, and Parliament ought to do little more than fix definitively the time at which cash-payments are to become as before compulsory. The period allowed ought to be ample, in order that the Bank Directors may feel their way, and that, having a constant watch upon the varying circumstances that ought to guide them, and availing themselves only of favourable circumstances, they may tread back their steps slowly, and may preserve both the course of their own affairs as a company, and that of public and commercial credit, not only safe but unembarrassed.

"With this view, your committee would suggest, that the restriction on cash-payments cannot safely be removed at an earlier period, than two years from the present time; but your committee are of opinion, that early provision ought to be made by Parliament for terminating, by the end of that period, the operation of the several statutes which have imposed and continued that restriction."

The objectionable point in this report is that which states, "*that the excess was to be ascribed to the want of a sufficient check, or controul, in the issues of paper from the Bank of England.*"

It would be difficult to imagine a more blind misconception of the cause of an effect than is contained in these words; and the

detail of the operations of the Bank, given in the previous pages, is a sufficient refutation of this false doctrine. Had Messrs. Horner and Huskisson possessed a practical knowledge of Bank of England operations, their acute and comprehensive minds, so peculiarly adapted for the investigation of subjects of this nature, could not have overlooked the essential and important distinction which existed between *Bank of England notes*, and those of Country Bankers. The want of this discrimination is the great blemish of the report; \* inasmuch as the argument is partly false upon which its conclusion is built; although the conclusion would have been the same had the error in the argument not existed. The fact is, that the suspension in no respect altered the nature of Bank of England notes; which continued necessarily and inevitably, from the constitution of the Bank itself, to be issued after the suspension, under the same check

\* Persons, not practically conversant with the subject, do not, on a first glance, perceive any essential difference in the quality of the promissory note of a Country Banker, and that of the Bank of England, so long as either of them alike assured to the holder the means of obtaining every thing that coin, to the same amount, could have procured for him; whilst, at the same time, he could obtain coin for neither. And it is undeniable, that, so long as the facts were so, it made no difference to an individual which description of note he held; and the logic of the great mass of the people, at that time, went no further than this—"that one bit of paper is as good as another bit of paper: we can't get gold for a Bank of England note any more than we can for the note of our Country Banker, A.B.C.; and therefore, said they, there's no difference."

There was, however, in spite of this logic, a most essential and highly important difference; and yet so little had public attention ever been drawn to the concerns of the Bank of England previously to the year 1797, that when, at that period, the question of the *National Currency* became the subject of Parliamentary inquiry, there prevailed an almost universal ignorance of the origin, nature, and quality of Bank-notes, and especially of their essential difference from all other paper currency known in the world. This same ignorance actually continued at the era of Mr. Horner's and Mr. Huskisson's celebrated Bullion-Report, in 1810; when all the pedantry and jargon of the whole School of Political Economists were exhausted, in vain attempts, to prove the depreciation of *Bank of England Notes*, by absurdly confounding that species of paper currency, which, from its nature, cannot possibly be issued to an excess, with the mass of Country Bankers' issues, (of which there was, doubtless, even then, an excess); and then as absurdly ascribing the nominal rise, in the price of Bullion, as well as all other commodities, to an over-issue of *Bank of England Notes*, in consequence of the Restriction, (a thing quite impossible,) instead of justly attributing that artificial rise to an unlimited issue of COUNTRY BANKERS' LOCAL NOTES, which the Restriction upon the Bank had, for the time being, most unfortunately for the solid welfare of the Nation, placed upon an apparent par of value with Bank of England notes.

and controul as before that suspension took place. Nevertheless, there was, as the report stated, "an excess in the paper circulation of the country;" but it could not with truth "be ascribed to the want of a sufficient check and controul in the issue of paper from the Bank of England," although it "originated in the suspension of cash-payments, which removed the natural and true controul." The suspension, by banishing gold, doubtless, caused a general redundancy of paper circulation; but not a redundancy of *Bank of England notes*; for it appears, from the evidence and accounts annexed to the report; that the increase of country banks, and the extension of country bank-paper, had very considerably circumscribed the circulation of *Bank of England notes*. One of the persons\* examined by the committee, and one quite competent from the nature of his business to answer the question correctly, being asked—"Are you of opinion that the Bank of England notes are more confined to the circulation of the metropolis, and its neighbourhood, than they were a few years ago?" replied, "They are very much so, from the country bankers substituting their own."

This, and some other false views of the authors of this celebrated report, greatly detract from its value; and the proofs of these errors will become more and more conspicuous as time develops the truth. Those passages, for instance, in which the evidence of the Governor and Deputy-Governor of the Bank, and Mr. Harman, one of the Directors, is commented upon, are peculiarly unfortunate for the future fame of the report; as the surprise and alarm expressed at the doctrine maintained by these most respectable and experienced members of the Bank direction, are clearly the result of a delusion, as strange, if not so ludicrous, as any of those which filled the mind of that celebrated knight of romance, who combatted with the creatures of his mere imagination as stoutly as if he had been fighting with realities.

The substance of the doctrine which excited this surprise and alarm is contained in the following charge; namely, "that the Directors of the Bank did not conceive that the amount of their currency, issued during the restriction, could materially affect the exchange with Foreign parts: that they did not deem it necessary to advert to the course of exchange, or to the price of bullion, in regulating the amount of Bank-notes issued by the operation of

\* Thomas Richardson, Esq. of the house of Richardson and Overend, Bill-Brokers and Agents for Country Bankers.



discounting; and that they could not perceive any *danger* of an *excess* of Bank-notes, arising from discounting good bills for responsible persons who required the accommodation." These very sound opinions, the result of practical experience, during more than a hundred years, appeared to the authors of the report fraught with evil consequences, and they remark thereon: that, "By far the most important of these consequences is, that while the *convertibility into specie* no longer exists as a check to an *over-issue* of paper, the Bank Directors have *not perceived* that the *removal of that check* rendered it possible that such an *excess* might be issued by the discount of perfectly good bills. So far from perceiving this, your committee have shewn that they (the Directors) maintain the contrary doctrine with confidence."

And well they might, for the origin of these alarms was a *chimera*; which seems, in more instances than one, to have deluded the judgment of the authors and defenders of the Bullion Report. This chimera was an unaccountable notion, that the temporary *non-convertibility* of Bank-notes into specie *altered* their *nature* and *quality*, and that these infallible representatives of real capital *could* be, and *were* issued from the Bank *after* the suspension of cash-payments, upon principles different from those which *before* the suspension had *controuled* and *checked* their issue.

A more absurd delusion never misled the reasoning faculties of a great mind. Had the *system* of the Bank,\* and the *unchangeable nature of all its operations*, such as we have described them, been known to Mr. Horner, or Mr. Huskisson, they must have perceived

\* The *essential difference* to the nation at large, between Bank of England notes, and the notes of private bankers during the *banishment of coin*, must now strike the most superficial observer. To the private banker there was every temptation to issue notes upon the lowest rate of profit or interest, and even to embark his credit upon *speculations* of every description. No law prevented him, *as it did the Bank*, from turning farmer, brewer, builder, maltster, hop-factor, distiller, or any other trader: he was free to use his own notes in buying or renting all the land around him; he could go with a Bank in his pocket and monopolize the produce of all the neighbouring markets; and he could accomplish all this with *no other capital* than the confidence of his countrymen, who had unfortunately been taught to believe, because one *bit of paper* was as good as another *bit of paper*, and because the Bank of England, for *State purposes*, were *compelled to lock up* their gold; that the mere *IOU* of Messrs. A. B. C., their neighbour, was as solid security for gold, *if ever it was to be had*, as a note of the Bank of England. It were well if, even now, the *essential difference*, as described above, were more generally known and acted upon by Government, the Legislature, and the Public.

that it is totally *impossible* that a Bank-note can be issued without a previous deposit of capital, *equivalent* to the value of the coin it purports to command; and which deposited portion of wealth or capital would of course have *existed*, whether it had been exchanged for the Bank-note or not. When property is so exchanged, the Bank-note becomes its representative, being a *guarantee* from the Bank to the bearer, that so much property has been deposited, and that so much coin shall be forthcoming if demanded; the Bank holding the means of commanding that coin in the *substance* or *capital*, of which the note is the circulating certificate. It was, consequently, the most absurd of all chimeras, to imagine that the *non-convertibility* of Bank of England notes was a new quality, which might occasion a *greater demand* for the *use of them by capitalists*; for, (mark the difference to a private Banker's note, who is also a *trader*;) unless such notes were *voluntarily required* in exchange for such *capital*, it is totally *impossible* that they could have been issued.

How therefore could the well-informed Directors, above alluded to, have otherwise expressed themselves? How could they possibly *perceive* the effects of a state of *non-convertibility*, which they *never recognized*; or *anticipate* that *excess* of their currency, which was presumed to be a *consequence* of the *removal of a check*, which said check had *never existed* but in the imagination of the authors of the Bullion Report.

This complete refutation of the radical error of the BULLION REPORT, and its disciples and advocates, must be kept in view by the Reader; because, although the Parliament of 1810 did not adopt the measures recommended, the very same arguments were again adduced by another Committee, which, after a lapse of nine years, was appointed by another House of Commons to investigate the affairs of the Bank of England, with a view to the necessity of fixing a period for the resumption of cash-payments.

On the 3d of February, 1819, a Committee for the above-mentioned purpose was appointed, of which Mr. Peel was chosen chairman, and which began the examination of evidence on the 11th of February, and sat till the 1st of May. The first Report of this Committee was presented to the House of Commons on the 5th of April, and related to the following circumstances, which clearly prove the anxiety that the Bank constantly felt to be relieved from the restriction, whenever the *state of the country* and the *finances of the Government* should render such a measure as prudent as it

always was desirable. During the years 1816 and 1817 the Bank accumulated an extraordinary large sum of treasure, in addition to what was previously in its coffers; and, on the 18th of September, 1817, in the full expectation that the restriction would cease in July, 1819, the Directors resolved to give notice that they would pay in cash all their notes dated prior to the 1st of January, 1817; designing thus gradually to commence the resumption of cash-payments, by anticipating, in a certain degree, the period fixed by law, and thus preventing some of the evils necessarily contingent on a sudden return to a metallic currency.

The intentions of the Directors of the Bank were, however, frustrated, by the continuance of the restriction, in consequence of the exigencies of Government; and as, under such circumstances, the further *partial* payments of gold by the Bank would subject the Company to great loss, without affording the least benefit to the country, it became a measure of justice, as well as policy, to put a stop to the issues of gold under the notices above alluded to.\* The first Report of the Committee was therefore merely a recommendation to the House forthwith to pass a Bill, restraining all such payments in gold coin, until their final Report should be submitted to the consideration of the House, and some legislative measure passed thereon. This suggestion of the Committee was adopted: a Bill was immediately brought in and passed.

On the 6th of May, Mr. Peel, as Chairman of the Committee presented their final report to the House. It was divided into two parts: the results of their inquiries into the state of the Bank of England; and their opinion with respect to the expediency of the resumption of payments in specie, at the period at which by law they are to be resumed. On the first head, the Committee stated, that they had begun by ascertaining that the sums which the Bank were liable to be called on to pay, in fulfilment of their engagements, amounted, on the 30th of January last, to 33,894,380*l.*, and that the Bank were then in possession of Government-securities and other credits, to the amount of 39,096,900*l.*, leaving a surplus in favour of the Bank of 5,202,320*l.* exclusive of the permanent debt due from Government to the Bank of 14,686,800*l.* re-payable on the expiration of the charter. The Committee then informed themselves of

\* In justice to the Directors of that period, it is necessary to bear in mind, that their plan of commencing cash-payments was formed upon the well-grounded expectation of receiving from the Government a very considerable portion of the debt due to the Bank.

the amount of cash and bullion in the coffers of the Bank at various periods since 1797, and of the quantity of gold coin issued by it between the 1st of January, 1817, at which period a partial resumption of cash payments had been resorted to, and the 1st of January, 1819, which was found to amount to about 6,756,000*l.* They next called the attention of the House to the amount of the debt due to the Bank of England, which, on the 29th of April last, reached the sum of 19,438,900*l.* After a variety of details and references to evidence connected with this part of the subject, the Report stated,—“That the amount of their advances to the Government is urged by the Bank as one of the main impediments to the early resumption of cash-payments; and that, in order to make preparations for their resumption, the Bank required a re-payment to the extent of ten millions. For such re-payment, the Committee earnestly recommended to the House to make immediate provision, and also to establish some permanent provisions, *limiting and defining the authority of the Bank to make advances to the Government, and to purchase Government-securities; and, bringing under the constant inspection of parliament, the extent to which that authority may be in future exercised.*”

It is impossible to avoid a few remarks on the wording of this part of the Report. Who that was unacquainted with the *origin and sole cause* of Mr. Pitt's lamentable “Order in Council,” for stopping the Bank, would not imagine, after reading the above passage, that the Bank had volunteered its own disgrace in 1797? and that even at the period of this report, in 1819, they still, for *their own sakes*, rather remain in disgrace than resume cash-payments? Let us hear what Mr. Manning, one of the Directors, said on this subject in the House of Commons:—“The question of the restriction,” Mr. Manning most truly and forcibly said, “was a *great national question*, and not so much connected with the interests of the Bank as of the Public. For any *peculiar interests* the Bank had in the decision on this subject, the House might fix upon *any time they chose* for the cessation of the restriction, without meeting with opposition from that body.”

On the second head of inquiry, the expediency of returning to cash-payments at the period fixed by law, the Committee proceeded to state arguments and detail evidence, from which it appeared first, that the Bank had already very considerably reduced their issues of notes since the beginning of 1818. Secondly, that in order to secure themselves against the effects of a return to cash-payments,

in July next, it would be necessary for them to make a further and very sudden reduction of that portion of their currency which they have immediately within their controul. Thirdly, and this apprehension was the *chief* if not the *sole* objection which the BANK entertained against the *immediate* resumption of cash-payments; that such reduction, in the present state of the trade of the country, would be attended with very serious inconvenience; in consequence of which, the Committee recommended the further postponement of the resumption of payments in specie.

A third branch of the inquiries of the Committee had for its object, to ascertain the supply of gold which might be required to meet the demands upon the Bank on the resumption of payments in specie, and the practicability of commanding such supply. The evidence on this head embraced a variety of facts relative to the investment of British capital in foreign funds, the rates of exchange, and the effects likely to be produced on such rates by the proposed resumption. On the whole, it was inferred that Great Britain *had the power of commanding a metallic currency, but that the return to it ought to be gradual*; and the Committee concluded by recommending to the attention of Parliament the following outlines of a plan for the purpose:—"That, after the 1st of May, 1821, the Bank shall be liable to deliver a quantity of gold, not less than sixty ounces of standard fineness, to be first assayed and stamped at his Majesty's Mint, at the established Mint price of 3*l.* 17*s.* 10½*d.* per oz., in exchange for such an amount of notes presented to them as shall represent, at that rate, the value of the gold demanded;—That this liability of the Bank to deliver gold in exchange for their notes, shall continue for not less than two, nor more than three, years, from the 1st of May, 1821; and that, at the end of that period, cash-payments shall be resumed. That on a day to be fixed by Parliament, not later than the 1st of February, 1820, the Bank shall be required to deliver gold, of standard fineness, assayed and stamped as before-mentioned, in exchange for their notes (an amount of not less than sixty ounces of gold being demanded) at 4*l.* 1*s.* per oz., that being nearly the market-price of standard gold in bars, on an average of the last three months."

Such was the result of the labours of a Committee composed of noblemen and gentlemen from both sides of the House, who, greatly to their praise, went into the Committee divested as much as possible of party feeling, and anxious only to devote their time and labour to the investigation of a subject so momentous. At the same time, it was

*almost impossible* that preconceived opinions should fail to operate on such an occasion; and it could scarcely be expected that Ministers would be quite impartial judges in their own case, particularly when it became necessary to make manifest to the country one of two things, either that the *Bank of England had failed in its duty*, in not making all due preparation for the return to cash-payments; or that the *Government had failed in their duty*, by not making those promised repayments to the Bank, without which it would have been most prejudicial to the country to have recurred to cash-payments.

In the speech which Mr. Peel delivered on this occasion, as the organ of the Committee, he proclaimed his individual conversion to the doctrines of Mr. Horner, and others, as contained in the Bullion Report; and made the same erroneous applications of those doctrines to Bank-notes, which those ingenious theorists had made before him; mistaking a redundancy of *artificial circulating credit*, composed of Country Banker's local notes, and millions of accommodation bills, for an excess of Bank-notes.

It is clear, that whoever framed the Report of the Committee thought very slightly of a most material part of the inquiry, when they assert that,—“It is not necessary to advert to the circumstances under which the restriction was *originally imposed by Order in Council, in the year 1797*, as they became the subject of parliamentary inquiry previous to the passing of the Act by which the restriction was *confirmed and continued*.”\* By keeping out of sight the transactions of 1797, and holding forth the situation of the Bank in 1819, as one to which the conduct of the Directors themselves had led, whilst the country at large were totally ignorant of the real principles upon which alone Bank-notes can possibly be issued, ministers could not, perhaps, at that juncture, have been better defended than by the Right Honourable Chairman of the Committee. But, with the correspondence between Mr. Pitt and the Bank fresh in their memories, and with a knowledge of the *nature of Bank Operations*, it may, without much presumption, be imagined, the impartial judgment of the reader will draw very different conclusions with respect to the conduct of the Bank, and of the ministers, to those which some parts of the Report itself, and still more the speech of the Right Honourable Chairman, would seem to lead.

\* In what manner they were inquired into by the Parliament of 1797, has been explained in the previous pages. But, even admitting that the inquiry had been ever so impartial *at the time*, had no new light been thrown on those circumstances in the course of two-and-twenty years?

In speaking of the effects of the restriction, Mr. Peel said, "If its continuance should be once sanctioned by the House, let it not be imagined, that they ought to measure its future evils by its past. Hitherto there had always been some check—the admonitions of Parliament had been respected; but if, once a hope should be held out that the suspension might last for an indefinite period, *that the amount of the circulating medium was to be left to the discretion of the Bank Directors, uncontrolled by any consideration but that of their own profits, it would become impossible to estimate the extent of the mischief that might ensue.*"

It seems almost impossible to doubt that the highly respectable individual who uttered these words, believed that the suspension of cash-payments altered the system by which the issue of Bank-notes was regulated; that, *for the sake of profit*, the Directors issued notes, during the restriction, which they would not have issued if the restriction had not been in force. How much it is to be lamented that, in the ardour of their pursuit after theories and hypotheses adapted to existing circumstances, such inquirers as HORNER, HUSKISSON, and PEEL, should overlook the necessity of previously ascertaining *what those circumstances precisely were.* Had such been the course adopted by these eminent persons in respect to the Bank, we should never have heard of the excess of Bank-notes; or of a circulating medium being left to the discretion of the Bank Directors, uncontrolled by any consideration but that of their own profit.

In several other parts of the same speech, gross misconceptions of the nature of Bank-notes occur, which, of course, can only be attributed to the want of practical knowledge.

For instance: after enumerating various plans suggested to the Committee, Mr. Peel observed,—"Another alternative was to fix a definite period, and to make some declaration of principle that might be an instruction to the Bank. But this would still leave it to the Bank to act upon this declaration of principle; as it should think fit; and if they controverted the principle, as they had done, it was not likely that their observance of the declaration would be very strict. That they denied the principle," he said, "was manifest; and if the House would turn its attention to the Resolution of a Court of Directors, with respect to the contents of a paper presented to them by the Committee, they would see the impolicy of referring it to them to adhere to that principle. In this Resolution it was stated, that the Directors could not discover any solid foundation for

the opinion, that the foreign exchanges might be regulated by their issues."

How does Mr. Peel suppose that foreign exchanges are to be regulated by issues of Bank of England notes? This folly has been already exposed in commenting upon the BULLION REPORT.

"The fourth plan which had been suggested," Mr. Peel said, "was that contained in the Resolutions of the Committee, which were submitted to the House. It proceeded on the principle that the Bank should regulate its issues according to the price of gold, and was, in fact, the same that had been acted upon before the restriction was imposed."

The Right Honourable Gentleman here again makes the same mistake as Mr. Horner and Mr. Huskisson, in stating that, before the restriction, the Bank regulated its issues by the price of gold.

In the same degree as the price of gold influenced the Directors in regulating the amount of their issues before the restriction, and in no less did it continue to influence them during the restriction; for it can be scarcely necessary to repeat, that all the operations of the Bank of England are invariably conducted upon the principle of advancing PUBLIC CREDIT, as the absolute foundation of its own welfare; and not, as the theorists believe, upon the extremely weak and narrow policy of sacrificing the permanent interests of the nation for the temporary profit of the Bank.

Common sense, indeed, tells us, that if a balance of trade, or, more properly speaking, a balance of profits, actually brought over to the merchants of this country a certain portion of the precious metals in payment of such balance, no doubt the merchants would carry their coin to their Bankers, who, in the regular course of affairs, would exchange it for Bank-notes at the Bank of England; and this operation would, most assuredly, increase for the time the amount of Bank-notes in circulation. And, supposing the contrary case, that the merchants of England have to remit gold abroad, they would then carry Bank-notes to the Bank for gold, and this operation would for the time decrease the amount of Bank-notes in circulation. But who can call these simple effects of the varying state of foreign exchanges, causes of their rise or fall; or say, that in these transactions, the Directors of the Bank are otherwise connected than as the passive agents of circumstances totally out of their controul? In the former of these supposed cases, it is evident, the ready-coined money would supply the place of part of their bullion store, which it

is the business of the Bank to *sell*, and would thus *take out* of circulation, in payment for bullion, the *amount of notes* they had given for *coin*; and, in the latter case, the Bank would only have to *buy back again the bullion with the notes* they had received for it when sold. Until, therefore, it can be proved that BANK OF ENGLAND NOTES are issued, as *Country Banker's notes too often have been*, without absolute VALUE *in hand*, of SUCH A SPECIES, as renders it *convertible, in case of need*, to the means of paying such notes in coin *on demand*,—until this can be proved, it seems absurd to suppose the *Directors of the Bank*, by their issues, can so *regulate*, that is raise and lower, the rate of foreign exchanges. To effect such an alteration, *either way*, what were they expected to do? Were they to deny to accredited merchants the accommodation which their real and *bona fide* commercial transactions called for; and which accommodation forms the grand object for which the Bank is in existence? Were they expected thus at once to sacrifice the fairest and most wholesome profits of their establishment, and palsy the sinews of *legitimate* commerce, with a vain view of *lowering* the rate of foreign exchanges, by a contraction of the usual amount of Bank of England notes *out on account of discounts*? and to do this at a time when daily experience proved that accommodation paper, to an infinitely larger amount than all their issues, *raised on Country Bankers' credits*, was too ready at hand to supply an artificial capital to every rash adventurer, who could procure almost any sort of security for the use of Country Bankers' names on slips of stamped paper?

The excess of *such* paper currency, so easily procured, might well be considered as the means of *raising* the rate of exchange against England: But how can the *issues of Bank of England notes* possibly effect such an alteration? If it could be rationally supposed that *their notes* could, under any circumstances of temptation, either of self-gain, of favour, or fear, be *issued* by this Company, without *value* being *first deposited* at the Bank, then, possibly, an *excess* of Bank of England notes *might* effect (what an *excess* of Country Banker's notes and acceptances *actually* has effected) an unjust and unnatural rise in the *prices* of all commodities, (GOLD among the rest,) and thus might indeed assist in turning foreign exchanges against England. But it may be repeated with confidence, and cannot be repeated too often, such a supposition is not only an idle but a most mischievous delusion, and the following official documents is its best and plainest refutation.

At a Court of Directors of the Bank of England, held on Thursday, the 25th of March, 1819:

The Court having taken into serious consideration the following Questions, proposed by the Secret Committee of the House of Commons: viz.

“ 1. To what further period, in the opinion of the Bank, ought the Restriction on Cash Payments to be continued?”

“ 2. Have the Bank any suggestions to offer with respect to any assistance that can be afforded to the Bank, by legislative enactment or otherwise, for facilitating their resumption of cash-payments?”

RESOLVED,—That the restriction on cash-payments was altogether a measure of state necessity; and that the object for inquiry now is presumed to be, not when the Bank will be prepared to resume payments in specie, but whether the public will be able to bear that reduction of the circulating medium, which a speedy adoption of the measure would render indispensable.

That, previous to the war, the amount of specie in circulation was variously estimated, even by persons best qualified from their situations to obtain information; it seems, however, to be agreed, that it was about thirty millions; but, whatever the amount, the whole has been exported.

That this Court has never ceased to be duly impressed with the great additional responsibility which devolved upon the Bank on the passing of the Restriction Act, and the Directors have uniformly endeavoured conscientiously to discharge a most delicate and important duty.

That considerations of profit to the Bank have never influenced the Directors in the issues of their paper, that they have invariably endeavoured, as much as possible, to limit the amount; and when all circumstances are considered, it may justly admit of a question, whether, instead of complaining of excess, there is not rather ground for surprise that the amount has been so circumscribed.

That, in the course of the years 1816 and 1817, a favourable turn in the exchanges enabled the Bank to collect a sum of treasure, which, in addition to what was already in its coffers, would have been sufficient to meet the opening, if the hopes which were then entertained had been realized; more especially as the loans to Go-

vernment of six millions and three millions were in course of payment, and the greater part of the other advances on exchequer bills became due before the 5th of July, 1818, the day on which the restriction bill was to have expired; that the system of finance which it has been thought proper to adopt, has not favoured the subsequent liquidation of these advances, is in no degree attributable to the Bank.

That this Court believing there was a positive evil in keeping out of the general circulation the whole of the large amount of gold which had been collected, determined, in some degree, to anticipate the opening; and accordingly, in April, 1817, advertised the payment of all notes under £5, dated prior to January, 1816; and, subsequently, in the month of September, further advertised the payment of notes of every description, dated prior to January 1817, being to the amount of many millions.

That the public, instead of availing themselves of the opportunity thus afforded of obtaining gold for notes, brought their guineas into the Bank; and this continued to be the case till the issue of the sovereigns and half-sovereigns, for which there was an immediate demand, though at first only as objects of curiosity.

That thus, for a short season, there appeared every reason to hope that the resumption of cash payments, an event to which all had looked with more or less anxiety, might have taken place imperceptibly; but this flattering prospect was of short duration: the extensive financial operations on the Continent, in which British subjects had taken so large a share, caused the exchanges, which perhaps had been forced above their natural level, to fall so greatly below par, as to make gold, more especially the new coin, a very advantageous remittance; and thus the Bank has been drained of a large portion of what had been accumulated.

That, with the experience already possessed, and after the most mature deliberation, this Court is of opinion, that, in order to the re-establishment of a metallic currency, it will be necessary that the Bank should not only be provided with a sufficient fund to meet the demands which may be made upon it, with reference to the amount of its notes in circulation, but a supply must also be obtained, nearly, if not fully, equal to the amount of specie in the country previous to the year 1797.

That it then becomes a question, from what sources, and in how short a space of time, such a sum in gold is likely to be obtained.

That it appears certain, that little is to be expected at present from South America, and therefore it is to the continent of Europe the country must chiefly look for supplies.

That, in deliberating on this important subject, this Court assumes it to be an incontrovertible proposition, that every attempt to bring in and retain the precious metals, while the exchanges are below par, must be unavailing.

That, then only can a country be said to be growing rich in gold and silver, when it receives them as the balance of exported goods actually paid for.

That although it must be obvious, that the returns from the custom-house books are no sure criterion of the productiveness of an export trade, because adventurous persons often export produce and manufactures for which they receive little or no return, still this Court is not disposed to take an unfavourable view of the state of our foreign commerce: it must nevertheless be acknowledged, judging from the exchanges, that whatever the balance of trade may be, the balance of payments is greatly against the country; and, in the opinion of this Court, there is not much encouragement to expect any material amelioration in the exchanges for the present: nor would a sudden improvement, to whatever extent, decide the question, as it is on a gradual and permanent rise only that full reliance ought to be placed.

That with respect to the continental finance operations already alluded to, this Court does not consider their injurious effects to be bounded by the investments which may have already been made for account of British subjects; but it is apprehended that those operations, during their continuance, will contribute to keep the foreign exchanges in an unsettled state.

That this Court cannot refrain from adverting to an opinion, strongly insisted on by some, that the Bank has only to reduce its issues to obtain a favourable turn in the exchanges, and a consequent influx of the precious metals; the Court conceives it to be its duty to declare, that it is unable to discover any solid foundation for such a sentiment.

That gold is not superabundant on the Continent is fully ascertained; and it follows, that a new competitor going into the market for an enormous sum, must, by increasing the demand upon a limited supply, materially enhance the price, while the quantity would remain the same. That even if the gold could be procured, the Bank could only pay for it with its notes.

That it is contended by those who recommend a reduction of the paper-currency, that it will have the effect of lowering prices, and that foreigners will thereby be induced to take more of the produce and manufactures of the country.

That the Court conceives this expectation to be founded in error, inasmuch as a low rate of exchange has always been considered most favourable to exports; but that even should a temporary effect be produced, it would probably be only a disadvantageous anticipation of the regular consumption, and result in a serious re-action upon the trade of the country.

That this Court can confidently assert, that the *Bank has never pursued its own advantage at the expence of the public interest*; and, whenever Parliament in its wisdom shall deem it to be most conducive to the good of the country to take off the restriction, this Court will be prepared to meet the exigency with every reasonable sacrifice; but to expect the Bank to issue gold at 3*l*.17*s*.10½*d*. per oz., however high the price in the market may be, would be to impose a heavy loss upon the corporation, *without rendering any adequate benefit to the public*.

That this Court having deliberately expressed its sentiments, feels compelled to decline giving any precise answer to the first question proposed by the Committee; deeply impressed as the Directors are, *that the resumption of cash-payments, with safety to the country, must depend upon circumstances, which it is impossible for them to foresee, and over which they could exercise no essential controul*.

That, in reply to the second question, this Court is not aware of any legislative enactments, which could at the present moment accelerate that favourable alteration and permanent improvement in foreign exchanges, essential, in the opinion of this Court, to the restoration of a metallic currency; but, *for reasons already assigned, it is deemed highly desirable that, prior to the removal of the restriction, the Government debt to the Bank should be gradually reduced to the extent of ten millions*.

The following Memorial was communicated to the Earl of Liverpool, on the 21st of May, 1819; and, upon the motion of the Earl of Lauderdale, was the same day laid upon the table of the House of Lords:—

“At a Court of Directors, held at the Bank, on Thursday, the 20th of May, 1819.

“The Directors of the Bank of England having taken into their most serious consideration the reports of the secret committees of the two Houses of Parliament, appointed to inquire into the state of the Bank of England, with reference to the expediency of the resumption of cash-payments at the period now fixed, have thought it

their duty to lay before his Majesty's ministers, as early as possible, their sentiments with regard to the measures suggested by these committees for the approbation of Parliament.

“In the first place it appears, that, in the views of the committees, the measure of the Bank recommencing cash-payments on the 5th of July next, the time prescribed by the existing law, ‘is utterly impracticable, and would be entirely inefficient, if not ruinous.’

“Secondly, It appears that the two committees have come to a conclusion at a period when the outstanding notes of the Bank of England do not much exceed £25,000,000., when the price of gold is about 4*l*. 1*s*. per oz., and when there is great distress from the stagnation of commerce, and the fall of prices of imported articles.

“It must be obvious to his Majesty's ministers, that, as long as such a state of things shall last, or one in any degree similar, without either considerable improvement on one side, or growing worse on the other, the Bank, acting as it does at present, and keeping its issues nearly at the present level, could not venture to return to cash-payments with any probability of benefit to the public, or safety to the establishment.

“The two committees of Parliament, apparently actuated by this consideration, have advised that the Bank should not open payments in coin for a period of four years, but shall be obliged from the 1st of May, 1821, to discharge their notes in standard gold bullion at mint-price, when demanded in sums not amounting to less than sixty ounces. And as it appears to the committee expedient, that this return to payments, at mint-price, should be made gradually, they propose, that, on the first day of February next, the Bank should pay their notes in bullion, if demanded, in sums not less than sixty ounces, at the rate of 4*l*. 1*s*. an ounce; and, from the 1st of October, 1820, to the 1st of May following, at 3*l*. 19*s*. 6*d*. an ounce.

“If the Directors of the Bank have a true comprehension of the views of the committees, in submitting this scheme to Parliament, they are obliged to infer, that the object of the committees is to secure, at every hazard, and under every possible variation of circumstances, the return to payments in gold, at mint-price, for Bank-notes, at the expiration of four years; and that this measure is so to be managed, that the mint-price denominations shall ever afterwards be preserved, leaving the market or exchange price of gold to be controuled by the Bank, solely by the amount of their issues of notes.

“It further appears to the Directors, with regard to their final

execution of this plan, and the payment of Bank-notes in gold, at mint-price, that *discretionary power* is to be taken away from the Bank, and that it is merely to regulate its issues and make purchases of gold, so as to be enabled to answer all possible demands whenever its treasury shall be again opened for the payment of its notes.

“Under these impressions, the Directors of the Bank think it right to observe to his Majesty's ministers, that, being engaged to pay on demand their notes in statutable coin, at the mint-price of 3*l.* 17*s.* 10*d.* per ounce, they ought to be the last persons who should object to any measure calculated to effect that end; but, as it is incumbent on them to consider the effect of any measure to be adopted, as operating on the general issues of their notes, by which all the private banks are regulated, and of which the whole currency, exclusive of the notes of private bankers, is composed, *they feel themselves obliged, by the new situation in which they have been placed by the Restriction Act of 1797, to bear in mind not less their duties to the establishment over which they preside, than their duties to the community at large, whose interests, in a pecuniary and commercial relation, have, in a great degree, been confided to their discretion.*

“The Directors being thus obliged to extend their views, and embrace the interests of the whole community in their consideration of this measure, cannot but feel a repugnance, however involuntary, to pledge themselves in approbation of a system which, in their opinion, *in all its great tendencies and operations, concerns the country in general more than the immediate interests of the Bank alone.*

“It is not certainly a part of the regular duty of the Bank, under its original institution, to enter into the general views of policy by which the great empire is to be governed in all its commercial and pecuniary transactions, which exclusively belong to the Administration, to Parliament, and to the Community at large; nor is it the province of the Bank to expound the principles by which these views ought to be regulated. Its peculiar and appropriate duty is *the management of the concerns of the Banking establishment, as connected with the payment of the interest of the national debt, the lodgments consigned to its care, and the ordinary advances it has been accustomed to make to Government.*

“But when the Directors are now to be called upon, in *the new situation in which they are placed by the Restriction Act, to procure a fund for supporting the whole national currency, either in bullion or*

coin; and when it is proposed that they should effect this measure within a given period, by regulating the market price of gold, by a limitation of the amount of the issue of Bank-notes, with *whatever distress such limitation may be attended to individuals, or the community at large,* they feel it their bounden and imperious duty to state their sentiments thus explicitly, in the first instance, to his Majesty's ministers on this subject, *that a tacit consent and concurrence at this juncture may not, at some future period, be construed into a previous implied sanction, on their part, of a system which they cannot but consider fraught with very great uncertainty and risk.*

“It is impossible for them to decide beforehand what shall be the course of events for the next two, much less for the next four years; they have no right to hazard a flattering conjecture, for which they have not real grounds, in which they may be disappointed, and for which they may be considered responsible. They cannot venture to advise an unrelenting continuance of pecuniary pressures upon the commercial world, of which it is impossible for them either to foresee or estimate the consequences.

“The Directors have already submitted to the House of Lords the expediency of the Bank paying its notes in bullion at the market-price of the day, with a view of seeing how far favourable commercial balances may operate in restoring the former order of things, of which they might take advantage. And with a similar view they have proposed, *that Government should repay the Bank a considerable part of sums that have been advanced upon Exchequer bills.*

“These two measures would allow time for a correct judgment to be formed upon the state of the bullion market, and upon the real result of those changes, which the late war may have produced in all its consequences of increased public debt, increased taxes, increased prices, and altered relations, as to interest, capital, and commercial dealings with the Continent; and how far the alterations thus produced are temporary or permanent, and to what extent, and in what degree, they operate.

“It was the design of the Directors, in pursuance of the above-mentioned two measures, to take advantage of every circumstance which could enable the Bank to extend its purchases of bullion, as far as a legitimate consideration of the ordinary wants of the nation for a sufficient currency could possibly warrant. Beyond this point they do not consider themselves justified in going upon any opinion, conjecture, or speculation, merely their own: and when a system is recommended, it seems to take away from the Bank any



thing like a discretionary consideration of the necessities and the distresses of the commercial world. If the Directors withhold their previous consent, it is not from a want of deference to his Majesty's Government, or to the opinions of the committees of the two Houses of Parliament; but solely from a serious feeling that they have no right whatever to invest themselves, of their own accord, with the responsibility of countenancing a measure in which the whole community is so deeply involved; and possibly to compromise the universal interests of the empire, in all the relations of agriculture, manufacture, commerce, and revenue, by a seeming acquiescence, or declared approbation, on the part of the Directors of the Bank of England.

"The consideration of these great questions, and of the degree in which all these leading and commanding interests may be affected by the measure proposed, rests with the legislature; and it is for them, after solemn deliberation, and not for the Bank, to determine and decide upon the course to be adopted.

"Whatever reflections may have from time to time been cast upon the Bank,—whatever invidious representations of its conduct may have been made, the cautious conduct it adopted in so measuring the amount of currency, as to make it adequate to the wants both of the nation and of the government, at the same time keeping it within reasonable bounds, when compared with what existed before the war, as is shewn in the Lords' reports; the effort to return to a system of cash-payment, which commenced with the fairest prospects, (but which was afterwards frustrated by events that could not be foreseen, nor controuled by the Bank,) are of themselves a sufficient refutation of all the obloquy which has been so undeservedly heaped upon the establishment.

"The Directors of the Bank of England, in submitting these considerations to his Majesty's ministers, request that they may be allowed to assure them, that it is always their anxious desire, as far as depends upon them, to aid, by every consistent means, the measures of the legislature for furthering the prosperity of the empire.

(Signed)

"ROBERT BEST, Sec."

In opposition to these arguments, Mr. Ricardo's scheme of "lumps of gold," as a substitute for confidence in the Bank, was actually carried into a prospective law: but, thanks to the foresight and promptitude of the Directors, this ridiculous plan was rendered

abortive, by a FULL RESUMPTION of CASH-PAYMENTS at the Bank of England; and a standard of value was once more restored to Great Britain.

What followed? The SYSTEM of the BANK remained the same; but the SYSTEM of Country Bankers from that period was necessarily changed, and the effects of providing payment for their promises were speedily felt. In proof of this it is only necessary to call the reader's recollection to the distressed state of the country soon after the resumption of cash-payments. The following extract is from the report of a Committee of the House of Commons, appointed, on the motion of Mr. GOOCH, to take into consideration the distress of Agriculturists, arising from a depreciation of prices. It was presented to the House on the 18th of June, 1822, and stated, that, "So far as the pressure arises from superabundant harvests, it is beyond the application of any legislative provision; so far as it is the result of the increased value of money, it is not one peculiar to the farmer, but extends to many other classes of society. That result, however, is the more severely felt by the tenant, in consequence of its coincidence with an overstocked market, especially if he be farming with a borrowed capital, and under the engagements of a lease; and it has hitherto been further aggravated by the comparative slowness with which prices generally, and particularly the price of labour, accommodate themselves to a change in the value of money. From this last circumstance, the departure from our ancient standard, in proportion as it was prejudicial to all creditors of money, and persons dependent upon fixed incomes, was a benefit to the active capital of the country; and the same classes have been oppositely affected by a return to that standard. The restoration of it has also embarrassed the land-owner in proportion as his estate has been encumbered with mortgages and other fixed payments assigned upon it, during the depreciation of money. The only alleviation for this evil is to be looked for in such a gradual reduction of the rate of the interest of money, below the legal minimum, as may make those incumbrances a lighter burthen upon the landed interests of the kingdom; and this reduction, if peace continues, there is every room to hope for. The difficulties in which the alterations of our currency have involved the farming, manufacturing, and the trading interests of the country, must diminish in proportion as contracts, prices, and labour, adjust themselves to the present value of money."

Looking to this document for the cause of the distress, without a reference to FACTS, who would not conclude that the *Standard of the Currency of the Realm* had actually undergone some lawful alteration—that the COIN had been *depreciated by authority*; and now again had been *restored* to its former value! There had, however, been no *alteration* whatever in the lawful standard of the currency. The weight and the quality of the coin of the realm had remained unalterably the same during the CONTRARY periods, when the money-prices of commodities were *high*, and when they were *low*; in times of the greatest distress, and in æras of the most flourishing prosperity. There had, however, been a CAUSE in operation for five-and-twenty years, which did indeed affect the *nominal* value of *money*, in regard to commodities and property of all descriptions; and that cause, it has been clearly proved, was something worse than altering the *standard value* of our national currency;—it was the ABOLITION of the standard altogether. Mr. Pitt did not, it is true, deteriorate the intrinsic value of the coin; but he went further: *he swept it entirely away*. From the 27th of February, 1797, until the day when the Bank of England shook off its unmerited disgrace and unnatural trammels, and once more gave to the nation a currency of fixed, known, and lawful value, there existed no real *money-standard* in Great Britain or Ireland, by which the owners of any commodity, the possessors of lands or houses, or of the public funds, *could by any efforts of wisdom or prudence* secure to themselves a *certain* profit, or an *income of fixed value*. This evil arose from that arbitrary alternation of high and low prices, which was occasioned, not by the true law of supply and demand, but by the success or failure of commercial or stock-jobbing monopolies, which were carried on to the extent of many millions more than all the issues of the Bank, upon no other basis than a *credit-capital* of accommodation paper, raised to a *temporary apparent equality* with Bank of England notes.

This *species of spurious currency* it is notorious was principally supported by Country Banks, in connection with Agents in London, and was kept afloat by the system of drawing and renewing from time to time the notes of hand or bills of all descriptions of people; including, not only merchants and traders, but farmers, and even noblemen, gentlemen, clergymen, professional men, officers in the army and navy, and individuals of all ranks in society. No sooner, however, did the restoration of a *lawful standard* begin to be felt and understood, than the difference between *credit* and *capital* was also per-

ceptible. Merchants and Bankers, whose credit, during the restriction on the Bank, had been stretched to an undue measure with their capital, suffered in proportion to their error; but Merchants and Bankers whose credit was their only or chief capital, have necessarily become bankrupts.

The CAUSE and not the *consequences* of this *Derangement of the Banking and Commercial System*, is the object of the present Tract; and the Author is therefore spared the melancholy task of exhibiting a picture of human miseries, of ruined reputations, and of broken hearts, not to be paralleled in the history of this nation. Neither dare he presume at present to glance at any remedy for the relief of such a national calamity. He believes that he perceives clearly the CAUSE of the present state of the country, and he indulges the hope that he has been successful in explaining his own views to his readers. To ascertain the root of an *evil*, even if we possess not the power to eradicate it, is at least one step towards *good*; and if the eyes of the Legislature and the Public should be directed, in however imperfect a manner, to the TRUE CAUSE of existing ills, by the present attempt to point it out, at least the *recurrence of that cause* may be guarded against, even should there be no REMEDY beyond PATIENCE for the mischiefs already produced.

The remedy alluded to in Mr. Gooch's Report, *the reduction of the rate of interest*, has produced more evil than good. The Bank of England very tardily yielded to this popular error; and have since re-established the ancient rate of discount. The effect of lowering interest in Great Britain was to send much real capital out of the kingdom to seek a better profit abroad; while, at the same time, it facilitated the views of mere adventurers, who, by a succession of the most visionary and daring projects, held out promises of enormous returns of profit, for the use of that capital that was unemployed at home. The lamentable consequences have been seen; but neither the *lowering of interest* nor the *delusion of the bubbles* must be mistaken as the causes of the present CRISIS of the Country, which would have occurred, *sooner or later*, had neither the one or the other have ever taken place.

This CRISIS is the inevitable consequence of former empirical experiment upon the NATIONAL CURRENCY; and any remedy that partakes, in the slightest degree, of the same *delusive quality*, will be worse than the disease. Any false delicacy as to the nature or treatment of the disorder will be *fatal to the patient*: and, consequently,

the *flattering* prescriptions of interested quacks, and the visionary schemes of well-meaning enthusiasts, must be unequivocally and at once rejected.

The absurd idea, therefore, which has recently been suggested, of the power of the Legislature to substitute any other CHECK or CONTROL on the issue of Country Bankers, than their *perpetual liability* to PAY, in the *standard coin of the realm*, whatever they PROMISE to pay, must not be countenanced for a moment. The ingenuity of man will never discover any other effective check upon the temptation to prefer self-interest to public good; to which, according to the laws of human nature, all individuals, Bankers as well as other men, are liable.

The peculiar constitution of the Bank of England, it has been proved, relieves the Court of Directors from any such temptation, by rendering the private interest of each Director, in its profits, as almost nothing compared to his stake as an individual in NATIONAL PROPERTY. But this can *can never be the case with private Banks of any description.*

Above all other considerations, let the REPRESENTATIVES OF THE PEOPLE TAKE CARE that, in any proposed schemes for securing private property, they suffer no innovation on public liberty; and let them be particularly on their guard, lest, by the plausible pretext of affording *Government-security to the holders of Country Banker's notes*, they be ensnared into the sanction of a NEW SPECIES OF BANK, under some other denomination; the capital of which Bank consisting solely of Exchequer-bills, or the Public Funds, would become, in every sense of the word, a GOVERNMENT-BANK, with branches in every province of the country.

So long, however, as the present NATIONAL BANK OF ENGLAND remains, as it NOW IS, an *unrestricted* and *free* Bank, paying in gold, on demand, its notes of whatever amount, from ONE to ONE THOUSAND POUNDS, there never can be any situation of the country, however critical and distressing, the difficulties of which the confidence of the Nation, and a just, disinterested, and constitutional conduct on the part of the Legislature, may not ultimately overcome.