

0299

106-17



A  
**REPLY**  
TO THE  
**AUTHOR OF A LETTER**  
TO THE  
**RIGHT HON. ROBERT PEEL,**  
ON THE  
***PERNICIOUS EFFECTS***  
OF A  
**VARIABLE STANDARD OF VALUE.**

---

LONDON:

PRINTED FOR J. M. RICHARDSON, 23, CORNHILL,  
OPPOSITE THE ROYAL EXCHANGE.

---

1819.

A

**REPLY,***&c. &c.***SIR,**

WHEN I heard that one of Mr. Peel's learned constituents had addressed a Letter to him on the present State of our Currency, I looked forward with impatience to the gratification I should receive from the perusal of it. I expected to see, if not new facts disclosed, at least the old ones methodically arranged, and conclusions from them logically deduced, with coolness and precision; removing some of the obstacles, and dispelling some of the doubts, with which this interesting and abstruse sub-

ject abounds. I need not tell those who have read your Letter, that I have been disappointed. You have, however, done that which I certainly did not expect; you have made this dry and calculating subject a vehicle for no very liberal observations upon the conduct of the present Chancellor of our Exchequer; and you have proved that a saying which you quote, and which I had hitherto regarded as a mere hyperbole, has some foundation in human nature; that even the propositions of Euclid would become subjects of controversy, if the passions and interests of mankind were affected by the result.

You say, at the outset, that the present Chancellor of the Exchequer maintains doctrines, which are at variance with writers, hitherto regarded as the greatest authorities in political economy. But you have not named these authorities—you have not quoted them. In your whole book I cannot find such authors cited. For I suppose you do not mean to include the late publication by Mr. Ricardo; or a short

extract from a speech of Mr. Canning's, however eloquent; or the resolutions of the late Mr. Horner, among the works regarded hitherto as of the greatest authority in political economy. You then complain, that the opposers of your opinions deny the fundamental principles which are alleged in support of them; and often seek to involve the question in darkness and mystery, by bringing forward *facts* apparently at variance with those principles. And this you call "a practice highly disingenuous, and unworthy of the station and character of those who resort to it."—And is it really disingenuous to bring forward facts? And why? Because they are apparently at variance with certain disputed principles. If they are apparently so, are they not *prima facie* evidence against these principles; and should not those who advance such principles show, that the variance is only apparent? But you have here admitted, in the very outset, what perhaps you did not intend, that there are facts at variance with your theory: and though you assert, that it is unworthy of persons of station

and character, meaning the Chancellor of the Exchequer, to state those facts, the people of England will, I believe, think differently, and prefer one sound fact to a thousand plausible theories. I thought, indeed, that the age of theory against fact had long since passed away, nor do I believe, that, since the days of Bacon, such an objection has been made in any inquiry, which professed to be an investigation of truth.

You attempt then to draw an invidious comparison between the late Mr. Perceval and the present Chancellor of the Exchequer; though done perhaps with the same view, which induced you to engage in this controversy, it will not make much impression on those, who recollect that the subject is better understood now than it was in the time of that lamented minister. Much has been since written; much spoken on it; the experiment has been much longer tried; and, therefore, Mr. Vansittart is warranted in speaking with more confidence on it than his predecessor ventured to do. But your object seems to be, not to satisfy the

understanding, but to engage the passions on your side, in the first instance; and, therefore, you eulogize the dead, and accuse the living of sophistry, delusion, and the denial of the soundest maxims of political economy: and you pursue this strain through forty pages of melancholy declamation, intermingled with charges of "injustice under colour of right"—of supporting "pernicious doctrines"—of imposing on the country a currency, which you say causes the distresses of the lower orders, the difficulties of the clergy in collecting their tithes, and even the heavy burdens of the poor-rates. In short, every inconvenience or calamity which can rouse the passions of the people you ascribe to the alleged depreciation of our paper currency. But, in refutation of this, I must take the liberty of stating one short fact, however offensive it is to you to have facts stated when in opposition to your theories, and it is this: that about two years ago, for twelve successive months uninterruptedly, our paper currency was, not only, not depreciated, but actually was advanced in value, during all that time,

above one of those precious metals which you state to be the true and only criteria of its worth. I speak of the period from April, 1816, to April, 1817. During the whole of that period the Bank-note would have purchased in the bullion market more silver bullion than its nominal value. You must admit therefore, according to your own principles, that, during the whole of that period, the Bank-note was undepreciated. That during the entire of those twelve months, at least, we had a paper currency at its full and legitimate value. Yet did not all those evils which you ascribe to a depreciated currency exist during that period? Did they not prevail to a much greater degree than they do at present? Were not the low wages of the agriculturist, the difficulties about tithes, the burdens of the poor laws, &c. &c. as much felt and complained of then as they are now? Probably you, Sir, were not aware of the fact, that Bank-notes and Bullion were then at par. It might have escaped your observation that the happy epoch had arrived when your ardent wishes were realized, when the halcyon season

returned, and our Bank-notes floated buoyantly on the surface of the silver tide. You probably, indeed, at that time did not trouble yourself with inquiries into political economy. Mr. Peel was not then your representative. And you were, I may presume, reposing yourself calmly and unambitiously on the Ethics of Aristotle, or the Sermons of Bishop Latimer, without anticipating that from such lore you should ever make extracts for so grand a purpose as removing a minister, and giving a new member to the cabinet of Great Britain.

But to return to the fact, the old Mint price of silver, that is, before the late silver coinage, was *5s. 2d.* an ounce. If our Bank-note would purchase silver at that price, you must admit, according to your own principles, that it would be undepreciated. If it would purchase silver at a still lower price, you must admit, according to your own principles, and to the principles of all others who maintain the same opinions on this subject which you do, that the Bank-note would be enhanced, even

above its nominal value. Now, in the year 1816, on the 26th of April, the price of bar silver was but  $5s. 1\frac{1}{2}d.$  an ounce; in June, but  $5s. 1d.$ ; in July,  $5s. 0\frac{1}{2}d.$ ; then it fell so low, that in October it was but  $5s.$  and before the end of that month down to  $4s. 11\frac{1}{2}d.$  In November it again rose to  $5s.$  and before the end of the same month fell again to  $4s. 11\frac{1}{2}d.$  In January, 1817, it was  $5s. 0\frac{1}{2}d.$  and afterwards  $5s. 1d.$ ; in March,  $5s. 1d.$ ; and in April,  $5s. 1\frac{1}{2}d.$  All this time, therefore, our Bank-notes, as compared with this precious metal, were actually higher in value than they purported to be.

These facts, I apprehend, you will deem very provoking; but you cannot controvert them. You may repeat your own declamation, and say, that we bring forward facts apparently at variance with your principles; and you may, very illogically for a reader of Aristotle, call this a trick of sophistry; but I feel confident, that the rational mind of Englishmen will respect solid facts much more than any

theories which are at variance with experience. To make this matter still more plain, if, during the period I have mentioned, you had sent some pound notes to be changed, you would have got but  $20s.$  for each; but, if you had bought bar silver with them, you would have got a greater weight of that metal. Thus the notes would have purchased a greater weight of silver than their nominal value; that is, they would have actually purchased more of one of the precious metals than so many new Mint shillings, at the old standard, if melted down, would have sold for. Therefore, during that period, the Bank-notes, instead of being in a state of depreciation, were in a state of enhancement; and, compared with silver, their real value was greater than their nominal value. Suppose, then, that one of those gentlemen, who, like you, fancied his notes were depreciated, and who, when receiving them in payment, complained that he had not got near the value which he was entitled to, had, however, been prevailed on, by a friend, to take a thousand pounds in these notes to the bullion mar-

ket, and that he had bought bar silver with them. He would then, in lieu of the Bank-notes, have brought home to his house a much greater weight of solid silver than if he had exchanged them for one thousand pounds in shillings fresh from the Mint, at the old standard. Would not this satisfy him as to the value of the notes? Would he still insist that they were depreciated? If he should, I can only say, that such a man renounces the evidence of his senses. He sees the silver there, which he has got in exchange for his Bank-notes; he ascertains its weight; he knows, that, if it were to be coined at the Mint, it would produce a greater number of shillings than the amount of the Bank-notes which he gave for it. Could he deny, then, that the Bank-note was worth as much and more than it represented?

You may, Sir, perhaps, say, that though the Bank-paper was enhanced, during that period, as compared with silver, that it was depreciated as compared with gold. To this I reply, in

the first place, that when our notes maintain a middle state between both metals, as far as these metals are allowed to be a criterion of their real value, it must be admitted that their real value is equal to their nominal value. But, during the whole of the period I have mentioned, the price of gold did not rise above the nominal value of the Bank-note more than from twopence to threepence in the pound. Therefore, even compared with gold, which appears then, by its comparison with silver, to have been, from some particular cause, enhanced, the Bank-note approaches so near to its nominal value, as not to afford any grounds for disquietude or complaint, much less for the tragical inferences which you would deduce from its supposed state of depreciation.

It is true that silver and gold are, at this moment, higher, when compared with the Bank-note, than they were at the period I have been speaking of. But then the question arises, whether, as these metals are subject to variation, it is they which, from some particular

causes, have lately risen or the Bank-note which has fallen in value? Now, there is no discoverable cause for the Bank-note to have fallen in value; none for its being lower in value in 1819 than it was in 1817. The amount of Bank of England notes now in circulation is nearly three millions less than it was then; and it is only to an excess of Bank-notes that this depreciation has been usually ascribed. But we do know causes for gold and silver being more enhanced, viz. the states of the Continent endeavouring to re-establish their metallic currencies, and employing a greater quantity of those metals for that purpose, and the disturbed state of America probably diminishing the supplies from the mines there. Since, then, the Bank has not extended its issues of notes, which alone, even in the opinion of the theorists who write against our present currency, is ever made the assignable cause for their depreciation; it is more agreeable, both to fact and theory, that it is these metals which have latterly, from particular causes, risen in price, than that it is the Bank-notes

which have fallen. And as so recently the price of silver was below the value of Bank-notes, and the price of gold nearly on a par with them, we may look forward with confidence to their equality being again restored, and at no distant period.

You, indeed, Sir, are disposed to deny, though not confute, every argument which ascribes the fluctuation in value to the precious metals, and not to the notes; and, in your disparaging strain, you compare our currency with the assignats of France, and the paper-currency of other states. And you say, that similar arguments were advanced in favour of the assignats of France. But does it follow, as a necessary consequence, that because it was falsely alleged in France, that it was the bullion which had risen and not the assignats which had fallen; that, in England, it cannot be true that the gold may have risen and the paper of the Bank preserved its value? Would the Stagyrite you quote have tolerated such a conclusion as this? Or would he not have



said, if you mean to reason fairly, you must judge of the currency by its own powers, and not by the currency of another country, under totally different circumstances. And will not the people of England recollect, that though the assignats of France swiftly disappeared, like an exhalation, their own currency has now stood every trial for twenty-three years; and that but two years ago, that is, after it had stood thus on its own foundation for twenty years, it was found to be superior in value to bullion silver? Will not the people of England look with pride to this great triumph of their credit, of the wisdom of their government, and of the integrity of their bankers; though you, Sir, have the modesty to arraign the Minister of Finance, and those great money-agents, who transact the business of our Bank, of a departure from justice, and censure our government for giving such discretionary powers to that great commercial body. But the government was not mistaken; the government has not been disappointed; and while you employ your pen in disparaging these individuals, the

people of England will glory that, through their instrumentality, and under the auspices of this government, and, latterly, under the particular guidance, in all financial concerns of that Chancellor of the Exchequer, whom you decry, their country has been brought through the most awful contest, has put forth the most mighty powers, and has upheld with its financial agency, as well as by its heroic valour, the exhausted and overwhelmed nations of the Continent, enabling them to rally their armies and re-establish their independence.

As to the propositions which you lay down with confidence, as if they were axioms, they may not, perhaps, on examination, be found to be all self-evident truths. For instance, you say, (and this is the foundation of your whole argument,) that if the Bank will not pay the full nominal amount of its notes in legal coin, and if the holder cannot obtain the full nominal amount in legal coin, of such notes from other people, the Bank-paper is depreciated.

Now, to this I cannot assent ; for, if the holder can get the full nominal value in gold or silver bullion, you cannot, consistently with your own theory, maintain that the notes are then depreciated. Unless, indeed, you will insist that the convertibility into coin is the sole criterion of the value of the notes. And this is an error which you and others, who argue on the same side, seem to me always to fall into. You give to the word depreciation a meaning which it does not possess, either in ancient or modern language. To depreciate means merely to fall in price ; but that price may be measured in other ways than by the amount of coin which it will exchange for. Otherwise this absurdity would follow ;—that, when the legislature orders the Bank not to pay in coin, the price of the note cannot be measured. If this were true, from the time that the Bank-Restriction-Act passed, twenty-three years ago, to the present day, our Bank-notes would have had no price whatever. For, at no period, during that time, could they properly be said to be interchangeable with the standard coin

of the realm ; so little of that coin was for any time in circulation. If, then, they could not be measured by our standard coin, they must have been measurable by something else. For, though you contend that their value was decreased, you do not suggest that it was altogether annihilated. You will, therefore, I suppose, allow that they were measurable by gold and silver bullion ; and others may say that they were measurable by the value they bore to commodities generally. But I have already shown that, during a period of twelve months, about two years ago, they were above silver-bullion in value ; while, in consequence of the Restriction-Act, they were inconvertible into our standard coin. If your proposition, therefore, were true, that as long as they were inconvertible in our standard coin they were depreciated, this absurdity would follow, that, at the same time, they were depreciated and they were not depreciated.

Nothing, indeed, can be more brief and simple than your argument.—That Bank-notes

are engagements to pay their nominal amount in standard coin; and, therefore, that when Bank-notes are not convertible into the standard coin of the realm they are depreciated. If this argument were just, there would be an end of the question, as far as the term depreciation is concerned. But, then, your conclusion would be a mere identical proposition; for, if depreciation means non-convertibility into the standard coin, let us substitute this definition of depreciation, and your conclusion will stand thus—That, when Bank-notes are not convertible into the standard coin, they are not convertible into it; which is a trifling impotent proposition, from which no truth or argument can be deduced. Yet this is what you call arguing from sound principles; and any fact, which opposes arguments built on such a foundation, you think must contain some concealed fallacy. But most reasonable men, I apprehend, will be inclined to suppose that the fallacy lies not in the fact, but in the mazes of a confused ratiocination.

As your other simple elements, as you call them, all depend upon this one, I shall not waste time in examining them.

You may ask, perhaps, what then does the term depreciation mean, as applied to Bank-notes? and I answer; it means that they are fallen in value: not relatively, as to our coin, at a time that the parliament has interdicted their exchange at the Bank for our standard coin; but relatively, both with respect to gold and silver, and every other commodity. And then we must come to this question, in order to decide whether they are depreciated, when we compare them with gold and silver; viz. whether it is the gold and silver which have risen, or the notes which have fallen; and this is the only fair way of stating the question; for, as these metals are liable to fluctuation, they may sometimes rise above and sometimes fall below the paper-currency. A proof of this is the fact I have already stated,—that, at so short a period as two years ago, silver, for twelve months, fell in value below the paper-currency,

and gold scarcely kept above it;—nor can you ascribe this to any issue of gold by the Mint; for though that, by being melted down, might make the gold-bullion more plenty, it could not make the silver-bullion more plenty;—nor can you ascribe it to a diminished issue of Bank-notes; for the Bank-notes then in circulation were about £27,300,000, and now they are but £24,500,000. I have already stated causes to show why bullion should be higher in value now than then; you have not stated any causes to show why Bank-notes should be lower now than at that time; nor can you, I believe, state any such. It is therefore but reasonable to conclude, that the present difference, which has occurred between them, has arisen from the rise of the bullion and not the fall of the notes; and, therefore, that, in no true sense of the word, are they now depreciated.

Sir James Stewart compares money, whether it be in coin or Bank-notes, to the counters at a game of cards. As counters, it serves to keep the accounts between those who play at

the game. Money, therefore, be it formed of what material it may, serves, in like manner, for the exchanges of the different commodities. Its value, within the country, is not on account of the intrinsic value of the material, whatever that may be, but as a common measure of commodities, and in proportion as it is a measure of more or less. With these counters, from the year 1797 to 1817, all the great pecuniary transactions of this country were performed; and how satisfactory should it be to the people of England, at the end of this period of twenty years, notwithstanding all the doubts that were raised, as to the real state of this currency, and all that was said and written during that time, to show that it was in a state of depreciation, to find that it was then nearly equal to gold and superior to silver. And this without any extraordinary effort, any change of system in the Bank, or even any reduction in the amount of Bank-notes then in circulation. How different is this from the paper-currency of other countries, which has seldom kept its level for a day. And what a proof

must it afford, not only to the people of this country, but of the world, of the solidity of our credit, of the wisdom of our government, and of the prudence and good faith of that mercantile body to whom the management of this great machinery has been confided. We have seen the precious metals rise twenty per cent. above our paper-currency during the war, and we have seen them, soon after the peace, descending to their former value; the paper-currency, all the while remaining apparently unchanged, performing all the operations throughout the kingdom for which such a medium of payment and barter is required. And we have seen this great country, during that period, make greater advances in improvements of every kind than we have reason to believe it ever did before, in a much more considerable space of time. More lands enclosed and improved; more houses, both in the country and in the towns, erected; more wealth individually accumulated, and proving itself now in the great increase of all those revenues which flow from the opulence of the community. Yet,

how often was it asked, during that period, how is all this to end?—What melancholy bodings used, from time to time, to assail our ears?—What dreadful difficulties, it was prophesied, we must encounter, when we should come to wind up our pecuniary transactions?—How should we ever be able, the criers of depreciation used to say, to bring our currency up to the real value of gold and silver? Yet, the years 1816 and 1817 saw that accomplished; saw the silver bullion even sinking in value beneath the paper-currency, and the gold only one per cent. above it. And this change silently and almost imperceptibly taking place, without any one measure being adopted for its accomplishment, but merely by the natural and necessary subsiding of things to their original level, in consequence, as it were, of their own gravitation, when the convulsions of war, by which they had been displaced, were discontinued; and if some rise in the precious metals has again taken place, we should only ascribe it to the fluctuations which still recur, after such a long period of violent agitation, but which, in

a little time, if things are left to themselves, will entirely cease.

Your next attempt is to prove, from the state of the exchanges, that our paper-currency is depreciated. But, as you admit that the exchange is the result of combined causes, one of which, and the principal, is the balance of payments; and as this balance can never be ascertained, except as far as it is indicated by the exchange, it follows, that a depreciation of our currency can never be ascertained by the exchange. The same argument was used in 1804 as to Ireland; and the first committee of inquiry, and with which this controversy originated, was for the purpose of ascertaining the cause why the exchange was at that time so adverse to Ireland; and the committee of the House of Commons, after long and laborious investigation, and that too by gentlemen of great ability, ascribed the state of the exchange to an over issue of notes by the Bank of Ireland, and their consequent depreciation; and many able writers of that day maintained the

same opinion. But this was completely and satisfactorily refuted by subsequent events. It appeared, that the variations in the exchange had no relation to the issues of the Irish Bank. And without any change in the Irish currency, or any contraction of the issues by the Bank, the exchange became favourable to Ireland, and so has continued for several years with little variation.—Yet there is no gold currency in Ireland, and the silver currency there consists entirely in tokens of inferior intrinsic value to that they represent;—neither is any inconvenience felt therefrom. All the commercial operations go on as formerly, and with increasing prosperity. In Scotland, too, the principal currency has been paper for these fifty years; and no cry, in consequence, of depreciation is heard there. If, therefore, the people in these two great members of the empire are suffering from the calamities of a paper-currency, as you suppose the people are here in England, it is happy for them that they do not know it; and that they have not such a vigilant

monitor as you to teach them their misfortunes.

But the case of Scotland deserves farther observation. The Bank Restriction-Act of 1797 did not extend to that country; consequently the Scotch Bank-notes continued to be commutable for gold: they therefore could not have been depreciated. Now, if the English notes had been depreciated, this would have followed, that the Scotch Bank-notes would have been superior in value to the English notes. But this was not the fact; and therefore this proves that the English notes were not depreciated; and that too at the time when the cry of depreciation most prevailed in England. But it may be said, that at that period bullion was much higher in value than the Scotch Bank-notes, and therefore, compared with bullion, they were depreciated. But still I maintain, that the people of Scotland were perfectly satisfied; that their notes kept up to their original value; and therefore they did not, as they might have done, call upon their bankers

to pay them in guineas. Nothing but a perfect conviction that the notes retained their value could have prevented their making such call; for it is not credible, if they thought their paper had fallen 20 or 25 per cent. as it was said the English notes had done, that they would not, when they could, have required it to be exchanged for guineas. No one would keep what he deemed to be a greatly depreciated currency, when he could exchange it for an undepreciated one. And though the people of Scotland had great respect for their banks, and great confidence in them, from a long experience of their utility and integrity, it cannot be supposed that this respect would have operated so far, as to make those people remain satisfied with fallen and degraded notes, if they believed them to be so, when they could have commuted them for Mint guineas. They must, from their own observation, have been perfectly satisfied that their notes retained their old value undiminished. No kindness, no partiality, no favour towards their bankers, could have made them act so contrary to their own

interest. Since then this sagacious and prudent people acted thus, it proves most satisfactorily, that their opinion, founded on their observation and experience, was, that their notes were not depreciated. And if they were not, and as the English notes continued equal in value to the Scotch, the English notes could not have been really depreciated, whatever might be their relative value, when compared with the fluctuations of bullion during a period of protracted war and commercial derangement. Here then we have the testimony of a great, intelligent, sagacious, and thrifty people, upon a subject on which they were peculiarly interested, and who are supposed to know their own interests as well as any other people, in favour of the opinion, that Bank-notes were not depreciated. Nor would the people of England, in general, have ever had an apprehension that the Bank of England notes were so, had it not been for ingenious and theoretical men, who, in committees, in pamphlets, in newspapers, and in speeches, laboured to infuse into them such a suspicion. We saw, since the Bank Restriction-Act passed,

at one time corn falling so low in price, that the farmer complained that he was not paid for his labour: we saw it at another period rise so high, that the farmer complained that he was overwhelmed by the importation. All this time the amount of notes which the Bank had in circulation remained nearly the same. It was the corn, and not the notes, that fell and rose in value. It is an abuse of words to call the rise of corn a depreciation of our currency. It might have been very agreeable to those who were to receive, to have been paid during the war in a gold currency rising far above the old value; but it would have been very unjust towards those who were to pay. By substituting a paper currency, which remained fixed at its original value, there was fair dealing towards all parties.

The error of Mr. Ricardo, and which you in your argument adopt, is this; he supposes the variations of exchange between two countries to arise from the state of their respective currencies; whereas, the cause of such varia-



tions arises from the excess of payments to be made at any particular time, by the one country to the other. "When each country has precisely the quantity of money which it ought to have, (says Mr. Ricardo,) the exchange will be at par." This error arises from the supposition, that when the exchange is unfavourable to a country, the balance is to be restored by that country parting with a certain portion of its currency for that purpose. But surely the obvious way of restoring the balance is by an export of commodities; and the export of any other commodities for which a sale can be obtained will answer the purpose, instead of an export of part of the gold or silver currency. The adverse exchange is a premium on export. It is a premium on the export of every other article of merchandize as well as of gold and silver; and the balance may be restored by the export of those articles, without any export of gold or silver; and without any alteration in the amount of currency in either country. It is unpleasant to be obliged to repeat, what has been said a thousand times

over, and what seems to be so obvious as to admit of no difference of opinion, that the coin of one country when exported to another is a mere article of merchandize, and, like any other article of merchandize, is only exported when the merchant finds it more his interest to do so than to export any other article. From this, however, it follows, that, when the exchange is unfavourable to a country, the merchant considers in what export he will have most profit, and if the country had no gold or silver to export, he would export other commodities; and the exchange might be thus brought to par, without exporting a particle of either of the precious metals. The adverse exchange operates in two ways towards restoring the par. It acts as a tax on imports, and as a bounty on exports; and thus it promotes that management which tends to cure the disease. The remedy for an adverse exchange is to import less and export more; and that may surely be done without any alteration of the amount of currency in either country. It is true that the precious metals may more speedily re-

store the balance than other commodities. But is it clear, that it is for the advantage of a country to have the balance restored in this way? Is it not probable, that it would be more advantageous to have that par effected by the export of manufactures, encouraging thereby the industry and talents of the people, than by the dealers in gold and silver putting the coin of the country into the crucible? And is the great boon which you wish to confer upon the people of England, and for the withholding of which you arraign our ministers of finance, merely this, that our currency shall be immediately constituted in such a manner that the par of exchange shall be restored, not by an export of the manufactures of Birmingham, nor of Manchester, nor of Leeds, &c. but by the extravagant and wasteful mode of an immense coinage, at an immense expense, to be immediately after melted down by the Jews, and transported out of the country? Is this what will make our woollens or our hardware, or our potteries flourish, and give activity to the hammer and the shuttle? While

the exchange is adverse it operates as a bounty on the export of all our manufactures; and stimulates, by additional profits, the industry and skill of the nation; and though this adverse exchange has its disadvantages, yet, as it has its benefits also, let us not throw the latter away; let us pause—let us endeavour to correct it in the way most beneficial to our people; and not by a proud and prodigal speculation for altering, at an untoward moment, that currency which has answered all our purposes, for the last three-and-twenty years—and stupendous purposes they were—which in their operation have been the amazement of all the world, and will transmit the English name with honour and splendour to the latest times.

How completely an adverse exchange may be corrected without any export of the precious metals is exemplified in the case of Ireland, to which I have already adverted. When the Committee of the House of Commons reported upon that subject, the exchange between Eng-

land and Ireland had been, for some years, very unfavourable to the latter, often 10 or 12 per cent. against Ireland. But, though Ireland had no gold to export, and had no silver to export, except a debased coin, none of which left that country; yet, without any change being made in the nature or amount of its currency, the exchange, by other exports, was restored to par, and so has generally continued ever since. And, in like manner, if this country is suffered to go on, for a little time, as it is now doing, the industry and ingenuity of its inhabitants, exerted upon its various manufactures, will certainly cause, with great benefit to the people, an increase of export, which will restore the balance. In short, the adverse exchange is to be considered as a debt which we owe to foreign countries; and the question is, how can that debt best be paid? Is it by the lazy and expensive process of issuing the precious metals from the Mint, in the shape of coin, to be immediately melted and carried off to other countries? or is it by allowing that debt, which operates as a bounty on our manufactures, to

continue for some time, animating and stimulating our people to industrious exertion, until their labour and their capacity shall have extinguished it? It is perhaps true, that this great nation may be able to accomplish the object by either mode. We may have our option; but, it is also true, that the one mode is salutary, and the other pernicious;—so pernicious, that the mischiefs which would attend such a measure at present are probably much greater than any man can foresee. It would be, at best, jumping into an unknown gulf, which no one now can fathom. For to what a degree of diminution the Bank would, in such a case, be obliged to contract its issues; what failures would be thereby produced in this mercantile country; what stagnation to trade; what abandonment of manufactures; and, consequently, what multitudes would be then thrown out of employment; what distraction and disturbance would ensue; what depression of our funds; what difficulty in collecting the revenues which support them; no man can presume to estimate or predict. These evils might be greater or might

be less than will be presumed. But, surely, it is a sufficient objection to the attempt, that we do not know the extent of its calamitous consequences. We have no experience to guide us; we have got into an unexampled state, without any parallel in the history of nations. All the financial operations of the world, heretofore, are frivolous, compared with what England has in this way accomplished in the last twenty years. Having, therefore, nothing in the past to direct us, we should proceed with the greatest caution. Even if the fact were true, which I deny, that our paper-currency is, at this moment, depreciated, the depreciation, at the utmost, is only 3 or 4 per cent.; and, if that be an evil, it is but a small evil; to remove which, it seems extraordinary that any one should venture to recommend the risk of such unknown and stupendous calamities. That the exchanges are unfavourable to us is true; and a great issue of coin might render them otherwise. But admitting this unfavourable course of exchange to be an evil; it is also a small evil, compared with the many and

menacing evils which would ensue from a forced return now to cash payments. The unfavourable exchange is an evil which, comparatively few people in this country would know any thing of, if they were not told of it, and the inconvenience of which still fewer feel. Whereas, the calamities which would follow a return to cash payments, at this moment, would come home to every man's door, and to every man's pillow, and would, more or less, disturb every man's repose.

Some then ask, if this is not the time to restore our currency to its former principles, when will the time come? And they accuse the Government of a breach of faith for not doing so in the time originally prescribed after the return of peace. But what statesman could, with certainty, foresee how soon after the return of a peace, which followed a war so general, so desolating, and of such gigantic exertions, the nations of the world would be sufficiently recovered and re-established to justify a recurrence to the old order of things.

All that the greatest statesman can do in such a case, and all that ought to be expected from him, is to make a probable conjecture, and to be afterwards governed by events. The unfavourable exchanges at present have been partly, and perhaps principally, occasioned by great importations of corn, the result of unproductive harvests, which no minister could have foreseen or prevented. The unfavourable exchanges have also been partly occasioned by the impoverished state of the continent, not yet able, after a war of such devastation, to pay for the manufactures of this country, by which the productiveness of our exports has been diminished. But this is a disease which a little time will remedy. Our exports, also, to the East-Indies have been particularly unproductive. The funding system, too, begun and carried on in different countries on the continent, has made essential alterations in the money transactions of Europe. Many, also, of the foreign loans have been largely subscribed to from England,

and the remittances for this purpose have contributed to render the exchange unfavourable. All these causes operating, which no minister could have anticipated, have produced this adverse state of the exchanges, and must, in the judgement of every reasonable man, not only exonerate our Government from any charge of breach of faith, for not having returned to cash payments sooner, but must satisfy us of the wisdom of those statesmen who have proceeded so cautiously and so deliberately; and who, instead of endeavouring to seize the first moment of a favourable appearance, have, with prudence, watched over events, and postponed making any alteration until they should see the exchanges permanently settled in our favour. For where so much is to be risked, and so little to be gained, it is not on the first propitious symptom that such an alteration should be made, but upon a continued, established, and confirmed renovation of the order of things, not only at home but abroad.

A country which has no gold mines, can only obtain gold by an export of other commodities ; and, therefore, such a country can correct an unfavourable exchange only by exporting other commodities, or by exporting gold which it had previously obtained by an export of other commodities, which so far amounts to the same thing. The exchange, therefore, must be corrected directly or indirectly by the export of commodities of the nation's own produce or manufacture. But when such a nation has a mass of gold hoarded in its bank, as this country has at present, to issue that gold in the form of coin, and at a reduced value below the market-price, deranges all commercial operations. It acts as a bounty on imports, and as a duty on exports ; that is, it does the very reverse of that which ought to be done. Foreigners pour into us their manufactures to buy our cheap gold, and the old hoarded gold is thus exported instead of our own manufactures. In every view, then, is such a measure most mischie-

vous. Instead, therefore, of its being one of the inconveniences, it is one of the great advantages of our present currency, that the par of exchange cannot be accomplished by such an unwise proceeding.

But then, you ask, if the currency is at present in so good a state, why shall Mr. Vansittart and others, who think as he does, express an anxiety to return to payments in coin, as soon as they think it can, without injury, be accomplished? The reason is, that though we are going on very well, as we are, it would be more satisfactory to many, and more consistent with ancient usage, to return to such payments. An experiment has been made. It has answered in every respect. It has surpassed, in its success, what the most sanguine political economist, if he was the author of it, could have anticipated. The experiment was forced upon the government and the country at a great and awful conjuncture. It was justified by the exigency. It has been continued during that exigency,

because the great advantages and powers which it gave to this country were striking and conspicuous. It has been continued so long, that it has ceased to be an experiment, and its safety and security have been, by the trial, decisively established. It would, therefore, be unwise to discontinue it, until it can be discontinued without risk or injury. That period is approaching rapidly, but not yet arrived. The great scale upon which the war was conducted, commensurate with the great cause for which we were contending, has caused such an increase of our debt, together with such a consequent increase of our revenues, as added to the general increase of wealth during that period in this great country, demands a much greater currency than heretofore; and, therefore, the Bank must proceed with great caution and circumspection in returning to payments in coin. Many things are to be considered, even if at this instant, as two years ago, bullion was to be had for about the Mint price; and much may be expected from the in-

quiries of the committees now sitting in the two houses of parliament.

In order, however, to appreciate more accurately the advantages which we derived during the war, from a pure paper currency, let us take a view of the principal consequences which would have followed, if, at the time the great cry of depreciation was raised, the ministry and the parliament had consented to make the Bank revert to cash payments. At that time, on account of the great expense of supporting large fleets and armies abroad, and of the convulsed state of the continent, and the extraordinary measures adopted by the then ruler of France to exclude our commerce from every continental port, together with other operating occurrences, the exchanges were very unfavourable to us. If the Bank had then issued guineas, there cannot be a doubt but they would have been immediately exported, as every country would have been ready to receive them, however closed against our other commodities. The Bank must, therefore, have

stopped its discounts ; it must have contracted, in every way possible, the amount of its notes in circulation, and, at the same time, continued issuing guineas, which would be rapidly disappearing, until our circulating medium should have been so reduced in quantity as to have been considerably enhanced in value, and this must have been continued until, at length, the guinea should have been worth so much at home, that there would no longer have been an advantage in sending it abroad. Let us suppose, then, that, by this operation, the currency remaining in circulation had been thus enhanced 25 per cent. above its original value; you, and others who hold the same opinions, will perhaps say, that it would still have answered very well; for £75, in this enhanced currency, would be equivalent to £100 in the former currency, and perform every operation as well as the £100 did before. But mark the consequences.—In the first place, could we have ventured, in that time of war, to have reduced the pay of our army and navy one-fourth? I believe no one will say we could.

It would be difficult to make them understand, or to reconcile them to a theory of this kind, and to satisfy them, if one-fourth of their pay was struck off, that they were really paid as much as before. Therefore, as far as related to a considerable part of our great military expenditure, our expenses, though nominally the same, would, by this change in our currency, have been increased really one-fourth, because they would then have been paid in a currency of one-fourth more value than the former. Could the nation have well borne this increase? or would it not have been obliged to diminish its navy and its army? But let us look to the interest of our debt at that period, and see what effect such a change in our currency would have had upon the payment of it. Though £75 of this enhanced currency would have been worth £100 of the former currency, would the public creditor be satisfied with receiving but £75 instead of £100 in payment of his interest? Would not such writers as you have told him, that the currency was not enhanced, but that the former currency had been



depreciated? Would not such writers have said then, as you say now, that it would be a fraud to pay the public creditor in a diminished rate of interest? Could we have attempted to do so without shaking the whole fabric of our credit to its foundations? We should, therefore, have been obliged to pay the public creditor the full nominal amount of his interest in this enhanced currency;—that is, almost in an instant, by this operation, the interest of our debt would have been really increased one-fourth,—and this, without any new loan, or any other financial advantage?—Could the nation have borne this?—Would it have been possible for the nation to have paid this? See, too, the effect, in point of taxation, which it would have had on the people:—our taxes must have been paid by them in a currency one-fourth more valuable than before; that is, in other words, by this notable operation, the whole taxes paid by the people would have been at once increased in value one-fourth more than they had been? Would they or could they have borne this? I answer, no; it would have

been impossible—you could not have gone on. After some struggling and great and universal calamity, you would have been obliged to reduce your fleets and armies—to re-call a great part of them—and to abandon the continent to the Captive of St. Helena. What a reverse of fortune then would such a measure have effected. He would, at this day, instead of slumbering in our toils, be treading on the necks of subjugated nations.—He would be now wielding his iron sceptre, seated in all his terrors, on the throne of the continent of Europe, I will not add of the islands of Europe also, and we should be still struggling with him in war, or crouching under him in an insecure and capricious state of peace, worse than war;—our gallant troops guarding our own shores,—and the old sovereigns of the Continent, not meeting at a congress to establish with our negotiator the peace and happiness of the civilized world, under a lasting and beneficent system of policy, but, perhaps, repairing to Paris, under violent mandates, to follow the chariot-wheels of their

oppressor and despoiler. This is no over-charged picture; the arrogance of that man, when in authority, warrants all I have said—and more.

It is, therefore, to this pure paper-currency, which you decry, that the people of Europe are in no small degree indebted for the repose which they now enjoy. It was this depreciated currency, as you call it, which enabled our great military Hero to cover their armies with his laurels in Portugal, in Spain, and in France; and, finally, to extirpate the Despot after his resuscitation, and consign him to his ultimate and inextricable abode. Though we have lived in eventful times, yet we have seen nothing, perhaps, so novel, nothing so wonderful, as the colossal powers which this country has displayed in its financial system during the last war. The abandonment altogether of a metallic currency.—The substitution of one of paper, standing firmly upon the basis of our national credit and good faith, performing its mighty operations upon a scale

hitherto unknown and unconceived by the human mind; moving our victorious fleets and armies with all the impetus of the most solid wealth, and keeping, at the same time, all the springs of industry in the most active exertion at home, is a phænomenon which has formed a new epoch, not only in the history of this country, but of man. It has proved what liberty can accomplish, when under the controul of a well-tempered constitution of government. What confidence and what security it gives; and what credit, so established, is able to perform. In vain would the mandatory edicts of an absolute monarch, in vain would the capricious ordinances of a democratic government attempt to establish such a system of credit and confidence. Nations that would imitate our financial power must first imitate our constitution. Monarchs must temper their high authority by imparting a portion of liberty to their enthralled subjects; and republics must add the stability of monarchy to their fluctuating and licentious councils, before they can establish any portion of that confidence which

is the foundation of our financial supremacy. The sovereigns, who were astonished at the powers of this country during the war, and who visited it afterwards, may have perceived, that the seat of our strength is in our well-regulated freedom; and some gradual approximation in their own countries to our institutions may be perhaps the beneficial result. But whatever effect our example may produce among other states, we may at least hope that it will have a lasting influence on our own; that it will make us still more admire and venerate that equipoised constitution of government, which not only secures our internal happiness and peace, but which gives us such mighty means, unknown in all former times, of influencing the destiny and upholding the independence of the adjacent nations; let us never forget, that it is to the magical agency of our present currency, which could not exist for a month under a government that was not so well regulated and balanced as ours, that we have been indebted for the powers which we have thus displayed. And whoever at-

tempts to disparage it, and make us dissatisfied with it, contributes, in so far as in him lies, to make us contemn and disuse one of the most stupendous advantages which the character of our nation and of our constitution affords us, for rendering us mighty amongst the nations of the earth. We ought, therefore, whenever we are about to recede from the present system, by establishing the old order of things, to take care to do so, not as if we were retreating from an evil which we are glad to escape, but as laying by a great and potent instrument, which served us well in the time of exigency, and which we put up to be employed by us again, whenever the circumstances of the times shall call upon us to put forth extraordinary powers. Our having adopted such a currency, during the late war, may have proceeded partly from accident, partly from necessity. But, however it may have happened that we were induced to bring into action this mighty engine, we should be thankful that we have made the discovery. We now know the safety with which it can be used, the power which

it confers, and the extent to which it can be employed. We now know our superiority, in this respect, over other nations; for no other country on earth could, to any considerable extent, adopt the same means. We know, too, that we can recur to it, whenever the occasion demands. And instead of decrying and reviling it, we should regard it with satisfaction and pride as one of our most potent resources, whenever we may be called upon for a great and unwonted exertion.

### POSTSCRIPT.

SINCE the foregoing pages went to the press, a Second Letter from you to Mr. Peel has been published. This letter principally treats of the Poor-Laws, and, therefore, it has no relation to the present subject, except in the attempt that you make to attribute the distresses of the lower order of the people, and consequently the increased amount of the poor-rates, to an alleged depreciation of our currency. In this manner you endeavour to connect your two pamphlets together, and to graft the one upon the other. Therefore I am induced to add a few words more, to shew, by facts, the fallacy of this statement.

The ground upon which you found such a

representation is this ;—that the wages of the labourer, though nominally the same, are really so reduced by the depreciation of our currency, that they are inadequate to his support ; and that he is therefore obliged to cast himself on the parish for relief. Now it is clear, that the diminished value of the wages, on this hypothesis, is precisely equal to the diminished value of the currency. And the fair way of ascertaining that, according to your own doctrine, is by comparing the value of the currency with that of the precious metals. But at this day, bar gold is only about 4 per cent. higher than Bank-notes ; that is, only about one halfpenny in the shilling. Admitting, therefore, for a moment your own principles, and that it is not the gold, which, from the causes I have already stated, has risen, but that it is the currency which is depreciated ; the utmost extent of that depreciation, at present, is but one halfpenny in the shilling. This is the reduction ; this the depreciation, which you say throws the labourer upon the poor-rate. That he is paid about

one penny a day less than he was formerly. Now, though I admit one penny a day to be of some consequence to a labouring man, do you really think, that this loss is sufficient to cast him as a pauper on the parish? If it were so, the parish, by adding to his wages one penny a day, would be relieved from the burden. But the parish officers do not find that this small addition would answer the purpose. And why do they not? Because it is not this depreciation of our currency, real or imaginary, which is the cause of the increase of our rates, but some cause much more powerfully operating. The people, however, of this country are too wise to be deluded by these inflammatory representations of your's, which are thus so glaringly at variance with fact ; and they will look to other causes for the great burden which the poor-rates impose upon them, instead of an imaginary, and, if true, but trivial depreciation of our currency.

You admit, in your last Letter, that the voice of all parties will pronounce an imme-

mediate return to cash payments to be impossible. And you say, that you believe there was nothing in your former Letter which implied a belief that they could be instantly resumed. But was not the whole drift and tendency of your Letter to that effect? If that was not its object, what was its object? Was it merely for the sake of arraigning our minister of finance, for not doing that which you now confess could not be done: but which you had not the ingenuousness to state as an impracticability? The fact seems to be, that, since you published that Letter, some one has told you of your error. Might it not have been more prudent to have been better informed, before you suffered your pen, for the first time, to tamper with politics, and accuse our government for not doing that, which you now say all parties would unite in censuring. It is not thus that a great nation and great characters should be trifled with; and especially in a publication professing to come from the venerable chambers of our great university.

You say, with respect to our currency, "that we are not a bit farther from the danger or nearer to a remedy than we were five years ago." If you mean this as a statement of fact, I apprehend that you are again in error. Five years ago gold was about 15 per cent. higher than our Bank-notes, whereas, now it is but about 4 per cent. higher. You then complained that not a single step has been taken to prepare for the return to cash payments; but what step could be taken which you would recommend, and which would not impede that event? I have already shewn that it is by a favourable balance of trade the exchanges should be restored, and that a lower price of bullion would then follow. But that contracting the issues of Bank-paper would contract our trade, and retard the restoration of that balance. You then say, in your figurative language, that if ministers feel themselves on the brink of a precipice that must be passed, they ought to be employed in contriving means to break the fall. But you need not be under any apprehension for them.—They are upon

no such precipice.—They have no leap to take. The operations of commerce, left to itself, are gradually bringing the ground to a level. We have seen the value of gold falling considerably since the peace, with only small variations:—at one time, nearly at its old value, and now but little above it. Let us not interfere with its oscillations, and it will soon settle at the point we wish.

You next attempt to attach any unpopularity which may be connected with our Corn Bill, to this same cause, the alleged depreciation of our currency; and you say, that the Corn Bill is only defensible on this ground. An older politician, perhaps, would have made the assertion with mitigated confidence. But will you maintain that a variation of 4 per cent. in our currency, is of such mighty importance to our agriculturists. Two or three wet days, or two or three dry days, at a particular season, would have more influence.

You say, “The present ministers talk of the

“present prices of commodities as if they were to last for ever, and that they build upon this basis the most flattering anticipations of future prosperity.” And why should not the present prices last? What is to cause their fall? You suppose that it is a depreciated currency which has raised them. If so, their fall, on the resumption of cash payments, would be only to the extent of that depreciation; and that I have shown to amount, on your own hypothesis, only to about 4 per cent. Is this the then change of prices with which you would alarm us? Is it a reduction of 4 per cent. in the value of commodities, that is to shake down the whole fabric of our prosperity? Is it a rise in price to this small amount above what you conceive it should be, that you call a plethoric and bloated state? Even, then, upon your own hypothesis, false as that is, how frivolous does your declamation against our government appear, when examined by facts? You represent that splendid and animating representation of our finances by Lord Castlereagh as all delusion, unless, you say, we

make our present currency perpetual.—For, you assert that his representation rests upon the continuance of existing prices ; that is, you say, upon the continuance of a depreciated currency. Would not a person, who was unacquainted with the subject, and who read this passage, suppose that our currency was sunk 30 or 40 per cent. or to some such great reduction below the precious metals? But when we inquire what this appalling amount is, which is to disappoint all our expectations and wither our blossoming hopes, we find it to amount, even admitting your desponding theory, to a reduction of about 4 per cent.\* in the

\* Since the above was written, gold has fallen more than 1 per cent. and it may not be improper to repeat that its price does not appear to have been at all affected by the quantity of Bank-paper in circulation. This has been fully demonstrated by the experience of the last three years, as may be seen by comparing *Wetenhall's List* with the account of Bank-notes lately submitted to Parliament. From these authentic documents it will be seen, that at those periods when the amount of Bank-notes in circulation was most considerable, the price of bullion fell, and the consequent rate of foreign exchanges became more favourable to the country. Such an important fact as this must outweigh volumes of fanciful theories.

prices of our commodities. But, when we know that, two years ago, our Bank-notes were higher in value than one of the precious metals, and about equal to the other; and when we know that, at present, the difference between them is so small, that there is every reasonable presumption for believing that temporary causes only prevent them from being completely on a level, the people of this country, notwithstanding your disparaging statements, will continue to enjoy, with confidence, the gratifying and proud representation which that great minister so lately made of their wealth and their resources.

THE END.



