Copy of a Letter to Professor Stewart.

Dunbar House, Oct. 5th 1811.

My Dear Sir

I wish in a few words to convey to you, distinctly before you turn your mind to the solution of the difficulty stated in the passage of Gloucester Wilson's pamphlet, ~~[illegible]~~ the view I entertain on the subject.

It is needless to tell you how very small a profit will banish coin from circulation; — The strongest example of this is stated by Lord Liverpool (page 207) where he remarks that there was according to Sir Isaac Newton's report 1717 — an inundation of Louis d'ors in circulation in the last year of King William's Reign. These were worth if melted Seventeen Shillings and three farthings per Louis d'Or, and a proclamation ordering them to pass for Seventeen Shillings brought One Million four hundred thousand of them instantly to the Mint to be melted.

Now tho' our Guineas must remain at Home according to the Principles of the Committee and the Statement in the paragraph you copied, exactly of the same value with Bank Notes whilst they continue to be interchangeable, yet this equivalency is not the effect of the Bank Note's retaining its real value, but of the gold sinking in value along with the note in the Home Market. — Abroad however where the same cause does not operate the gold maintains its value, and if three farthings in King William's time per Louis d'Or was capable of deriving One Million four hundred thousand of them to the Mint, it is pretty clear how our Guineas in consequence of the fall at Home must be sent abroad.

Accordingly we see that this is the process which takes place as stated by those who do not appear to have any accurate ideas on the subject. — It is needless to explain to you, how lowering the Standard of the Coin, or depreciating the paper of a Country must be in their effects similar, and Sir James Stewart states quarto Edition page 608:

"Farther, when people find that upon a refor-
"mation of the Coin, they are still obliged to acquit their
"obligations with the same denominations as before, is
"it not very natural for Sellers to insist upon having the
"former prices for all sorts of Commodities, this is the
Mr Heard [illegible]
"reason why the universal experience of France (which nation
"has been more accustomed to variations in their Coin
"than England) proves that merchandize does not immedi-
"ately rise and fall according to the variations of the Coin.
"But the operations of foreign trade, which are immediatly
"felt and profited of by the trading part of the nation,
"insensibly affect the dealings of the body of the body of
"the people, and produce after a certain time, those efforts
"which ought to have followed immediatly upon the
"innovation."

This view of the subject appears to me to account for all the phenomena that are stated to have taken place on the present occasion. Gold has gradually disappeared, "Since the Bank restriction (says Mr Rose) we "find the price of other Commodities advancing yearly whilst "in gold there was no considerable rise ...... the year 1809"

In another place he comments upon the sudden rise that took place at that time. — Now upon the principle which I have stated all these things must actually happen. Gold whilst interchangeable with paper partaking of its depreciation will not rise in value; — all other commodities must, but the moment the gold is drawn out of circulation, so as to be no longer

interchangeable

interchangeable, then it becomes all at once a commodity independent of the paper, and suddenly appears to sustain the same rise in value which other commodities have gradually sustained. That is, the depreciation of paper gives that appearance of rise suddenly to gold, which it has given gradually to other commodities.

I have written this because I wished you to see my notion on the subject, at the time that you put your own ideas into writing.