AN

# INQUIRY

INTO THE

# STATE OF THE CURRENCY

OF THE

# COUNTRY,

*ITS DEFECTS AND REMEDY.*

On sent les abus anciens, on en voit la correction; mais on voit encore les abus de la correction même.

Il faut prendre garde que les loix soient conçuës de manière qu'elles ne choquent point la nature des choses.

MONTESQUIEU.

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# AN INQUIRY,

*&c. &c.*

THE Currency is commonly regarded as a question already more than sufficiently discussed. Had the many writings, or the recent deliberations of Parliament upon the subject, been productive of safety in practice, without adverting to discordancy in principle, the public would not be here called upon to apply what is conceived a necessary and timely attention to the matter. That this, however, is incumbent, will perhaps be confessed, when it is made apparent that, while the intention is avowed by authority of raising our circulation on the basis of the precious metals, the very nature of those metals is forgotten in the execution of the purpose, and the principle of our Currency is fraught with contradiction and impracticability.

In proposing to show such to be our actual situation, it will be proper, first to trouble the reader with some remarks on certain qualities of the two precious metals; upon which properties, if upon any thing, system and practice must be built.

Drawn from the mines, the two metals stand, in the first instance, in the condition of merchandise. Becoming diffused over the world, some is applied to the service of certain manufactures; a portion remains in the state of bullion; and much is formed in every country into coin.

What quantity of the whole produce of the mines of gold and silver, is consumed for domestic purposes and other manufactures; and what proportion is thus left for objects of circulation as bullion and coin, is not precisely to be estimated. It is, however, obvious that the metal chiefly recurred to for manufacturing purposes must be the cheaper one, silver, from its being within the more general attainment of mankind; and, therefore, of the gold and silver which issue from the mines, a less proportion is left of the latter, in the mass destined for circulation. The quantity of silver produced by the mines, has been calculated to be 45 times (Humboldt) that of gold, and by some more; yet in bullion and coin, serving for interchange of property, the value mostly fluctuates between 15 and 16 times that of gold: consequently, some two-thirds of the quantity of silver dug from the mines must be applied to manufactures.

The total quantity of the precious metals serving as currency, is in a constantly varying state; from the circumstance just mentioned, and from the differing annual supplies which enter into use, either in addition to what previously exists, or, to replace what is wasting or lost; and compared, also, with the variable occasions of mankind. These metals are, therefore, an imperfect, because fluctuating measure for the interchange of property:—nevertheless they are the most accurate that has been, or that appears likely to be discovered. The prices of commodities in this medium adapt themselves to the greater or less quantity existing in circulation.

This estimation of property in the two precious metals, might be made in both severally, and a commodity be offered at one price in silver, and at another in gold; but convenience has always led to the adoption of one as the common reference of value. This one, not only serves as the measure by which to indicate the worth of all commodities, but, also, of the other precious metal. This standard metal has been, in most nations, silver. In Portugal, it has been gold; and, also, during a certain period in this country; and, in like manner, it has been occasionally in others.

The two precious metals in circulation being each, separately considered, in perpetual variation as to quantity, come at different times to vary in their relative proportions. From the fluctuating abundance or scarcity of silver in the market of the world, a given weight of that metal, will, at one period, purchase a greater, and, at another, a less weight of gold;—or the fluctuation may be in gold;—or in both in different degrees. Fifteen hundred ounces of silver, about the 16th century, might be equivalent to 125 ounces of gold, (12 to 1), subsequently to 100 ounces of gold; and, now, to less than 100 ounces of gold.

Whatever alterations occur in these two metals, the difference can only be material at long intervals. Such alteration can only arise from the influx from the mines into the general market, of the one in more than usual degree over the other; or the extraordinary abstraction of one of the two; from the circulation of the market. Neither of these events has, in fact, been found essentially to have taken place.

The precious metals are more susceptible of variation in value, compared with property generally, than between each other. The constant addition of the mines, the substitution of other mediums of exchange, the extension or restriction of the general market, the rapidity or slowness of circulation, and other contingencies will create fluctuation in the value of the precious metals when compared with commodities, while no alteration whatever may have arisen between the one compared with the other. The legislature, by the 15th Charles the 2d, established the relative proportion of silver to gold, near 14½ silver to 1 gold; in the 56th of the present reign, Parliament judged fit to make the proportion in the coinage, full 14¼ silver to 1 gold. Experience showed in the former case, that silver was rated too high; and it is the object of the present tract to prove that, now, silver is still more overrated. Yet these instances show that the relative value of the two metals has been, since two centuries, almost exactly the same; while their value, compared with commodities generally, has fallen, during the same period, about one third.

Every government, for the ready convenience and service of the public as currency, converts bullion into coins, on which affixing the stamp of the state, the respective weight and purity are warranted. Every government has also enacted laws to protect its coinage: all states forbid individuals to counterfeit their moneys, and many prohibit the exportation of their own coins. Yet, experience has shown the former to be constant and extensive; and the latter, the prohibition of export, is either utterly disregarded, or is evaded by melting. As no regulation or penalties have been sufficient to prevent the universal transmission of the precious metals, and their consequent assimilation in value throughout all countries, so has the relative proportion between the two, constantly settled at an uniform level. Governments have, accordingly, found the only secure system to be, the conformity in the gold and silver coins with the proportions subsisting in the general bullion market.

The necessity of this conformity, is testified in the history of every country, and that of our own, furnishes abundant and striking instances. A few may be usefully premised, to illustrate the arguments which will follow.

From the reign of Edward III. to that of Henry VIII., that is, from 1345 to 1545, the proportions in the coinage were, at different epochs, between 10½ and 12 of silver to 1 of gold. The period from the year 1545 to the 4th of Edward VI., that is 1551, was remarkable in the coinage for the widest deviations from the former, and the due proportion of the two metals. In 1545, the value of silver was raised, and the relative proportion which had been 10.43 to

1, was made 6.82 to 1. From 1546 to 1549 silver was further raised, and the proportion made 5 to 1. In 1550, 5.15 to 1. And in 1552, the enormous extreme was introduced at the mint of 2.41 of silver to 1 of gold. An underrating of gold coin so exorbitant, about a fifth part of its actual worth, necessarily occasioned its disappearance, or whenever brought forward it commanded a great, though often not adequate premium. Lord Liverpool remarks: "In a short time all the gold coins were either hoarded, melted, exported, or in some way driven out of circulation. Stow says he has seen 21*s*. given for an angel of gold." The nominal value of the angel was then 8*s*. The profit on exchanging silver for gold, when the proportion was 6.82 to 1, was, according to Lord Liverpool, $61\frac{1}{7}$ per cent; and when the proportion was 2.41 to 1 the gain became $355\frac{144}{171}$ per cent. From this extreme anomaly, the government in 1553 proceeded, at once, to rectify the coinage, by making the relative value at the more regular proportion of 11.11 to 1. No such deviation had before or has since that time been introduced at the mint. The variations from the due proportion have been slight, yet not less effectual in, ultimately, excluding that metal which was underrated. The produce of the American mines began, from the close of the 16th century, to have the operation of reducing the value of silver, compared with gold. James I. coined in the proportion of 15.92 silver to 1 gold, which was found to raise the gold coin beyond the due proportion, so that towards the close of his reign, and the whole of Charles I. silver coins were in their turn exported. In 1663, the gold coin was by Charles II. underrated, and it disappeared: the guinea was valued at 20*s.*, while the coined silver was at 5*s.* 2*d.*, a proportion of 14.48 silver to 1 gold.

A disordered state of the coin, brought on a period memorable in our mint history, when a new silver coinage was undertaken on the suggestion of Mr. Locke. Nevertheless, just as certainly was the general principle of Mr. Locke, this coinage failed. By not adverting to the current course of the gold coin, the guinea then passing at 21*s.* 6*d.*, a proportion was made of 15.57

to 1, and the new silver disappeared as it issued; having caused the enormous expense to the nation, of nigh three millions sterling.

In 1717, a remedy was applied to the Currency, on the advice of Sir Isaac Newton, by reducing the guinea from 21*s.* 6*d.* to 21*s.* Thus was established the proportion of 15.21 of fine silver to 1 of fine gold, which was continued till the present coinage was proposed and passed in 1816.

On this occasion, by statute 56th of Geo. III. cap. 68, an alteration was introduced in the previously existing proportion, between the gold and silver coin. Since the 43rd year of Queen Elizabeth, 1601, the pound of standard silver, troy weight, had been coined into sixty-two shillings. It was now enacted that the pound troy should be coined into sixty-six shillings :—four shillings of which on coining, are retained at the mint, for seignorage. The gold coins remain on the same footing, as since 1717: that is, the pound of standard gold, troy weight, in coin makes £46. 14s. 6d. The charge of coinage is borne by the mint. The relative proportion between pure gold and pure silver in the coin, had been, antecedently to this coinage, $15\frac{2859}{13040}$, nigh 15.21 silver to 1 gold. In consequence of forming 66*s.* out of the pound troy of silver, the proportion now became $14\frac{288}{1000}$, say 14.29 pure silver to 1 pure gold. It was likewise enacted that the gold coin should still be the standard measure of value, and equivalent for property; and that the silver coin be not allowed to be a legal tender, either by tale or weight, for sums exceeding forty shillings.

The nature and effects of these regulations form the subject of this inquiry. If the principle be correct, of the necessity of the assimilation of the mint coinage to the existing proportions between gold and silver, in the general bullion market, it will be the due course in the investigation, to determine, how far this rule has been followed, and what may be the consequences of deviation.

By comparing the prices of gold and silver of equal purity in the chief bullion markets, will be found the relative proportions mostly prevailing. The constant interchange of coins and bullion amongst all countries, and the ready conversion of coin to bullion, and bullion to coin, tend to establish a general uniformity, both in the relative proportion and in the absolute value of this universal medium. It is the vigilant interest of commerce and unintermitted intercourse, which prevent any material variation: and especially in the relative proportions of the two metals, it is the peculiar branch of those who apply themselves to money concerns, and is from its nature susceptible of nice calculation and the readiest execution. The competition of these dealers, therefore, confines their advantages to fractional profits; and produces a general agreement in the relation of the price of gold to silver, throughout neighbouring and distant countries. In time of peace, this equalization is more peculiarly marked.

In the following summary of the relative proportions of gold to silver, the prices of the market have been taken at such periods of latter years, of which the notices were most readily met with. The countries on the continent will be first mentioned, as most immediately affecting our circulation, and those particularly where a metallic currency has been maintained; and reference is especially directed to the present time, when the proportionate value of the two metals may be supposed to be at about settled and permanent rates.

At Hamburgh, it appears from 1804 to 1810, the proportions of the precious metals in the market, fluctuated between the extremes 15.07 and 16.33 of silver to 1 of gold; the most prevalent medium being 15.63 to 1. The prices of 1817 give the proportions between 15.17 and 15.55 to 1. The present prices (May 1818) of gold 99⅝ shillings banco per ducat, and silver 27 marcs 10½ shillings, banco per marc fine, make the proportion 15.40 silver to 1 gold.

At Amsterdam, from 1804 to 1810, the extreme proportions appear to have been 15.22 and 16.17 silver to 1 gold, and the prevalent medium, about 15.60 to 1. In July 1815, the quotations make 15.64 to 1. Through 1817, the aggio on gold was from 11½ to 13½ per cent. on the fixed price of 355 guilders, per marc, which with silver at 26 guilders, 5 stivers, per marc, make the proportions from 15.08 to 15.35 silver to 1 gold.

At Paris in 1810, the price of gold, 105 francs the ounce, and of silver, 53.60 francs the marc, make the relative value, 15.67 silver to 1 gold. During 1816, the proportions appear to have fluctuated between 15.48 and 15.86 to 1. During 1817, between 15.27 and 15.81 to 1. The prices from Paris at present (May 1818), are for fine gold, 115.20 francs the ounce, and for fine silver 54.20 francs the marc, making the proportion of 15.52 silver to 1 gold.

Spain is not, at this moment, the channel for the supply of silver to Europe, and her commerce is in a most reduced state. The mint proportions, between the dollar and doubloon, appear now to be 16.40 pure silver, to 1 pure gold. Gibraltar being, however, a perfectly free port, and a considerable market for specie, may merit notice. The consequence of the above named very low estimation of silver, has been a premium on Spanish dollars, commonly between 1¼ and 4 per cent., and gold is the coin prevailing in payments. This aggio brings the proportions from 15.77 to 16.16 silver to 1 gold.

In Turkey, silver seems to bear rather a low value: the proportion from the prices of gold and silver coins at Constantinople and Smyrna, for a year past, are from 15.63 to 16.58 silver to 1 gold. At Malta, the prevalent coins are Spanish, and their respective values usually give 15.40 to 15.50 silver to 1 gold.

In Italy, which has the merit of having given the first example of freedom in the trade of specie, the proportions are very steady. In Tuscany, the relative values have been from 15.49 to 15.77 silver to 1 gold. At Genoa, 15.70 to 15.80 to 1.

In Jamaica, the coins are Spanish, and dollars, as at Gibraltar, bear a premium, which was by the last account 4 per cent., making the proportion of pure contents compared with the doubloon, as 15.77 silver to 1 gold.

At New York, on examination of prices during the last six months, the proportions of silver to gold are found to be between 15.36 and 15.88 silver to 1 gold.

According to Humboldt, the proportion in circulation in Mexico, is $15\frac{5}{8}$ to 1. By quotations of some years past, at Rio Janeiro, silver appears to have been variously valued against gold, from 13.88 to 15.71 to 1. Mr. Charles Grant stated to the Bullion Committee, that, now in China the relative value of the precious metals is about 14¼ of silver to 1 of gold: and by the Mint regulation at Bengal, 14.861 to 1, and at Madras, 13.872 to 1.

Thus, upon a survey of a number of the principal foreign markets for specie, throughout the world, and more especially referring to the present period, it is conceived that the relative value of silver to gold may, on the fair average, be stated to be 15½ to 1. At the highest mean proportion, silver could not be rated beyond 15¾ to 1. It is on various market prices these calculations of the two metals have been made; as to those general prices the mint proportions must ever be subject. It may be observed that the relative value of silver to gold, at the principal mints of Europe, is said to be between 14.50 and 16.45 to 1.

In 1717, when the relative value of gold to silver was in consideration, it was represented by Sir Isaac Newton that payments in silver bore generally a pre-



~~Silver~~, would not the Variations in the Exchange accurately ascertain the relative proportion, betwixt the demand for and the supply of Silver in each country: the demand preponderating over the supply in that country, which was obliged to give a Bill for a few more Grains of Silver to be delivered in the other.-

Queere 3.

As all countries, however keep their accounts in their own money, does it not become necessary for Merchants, who pay and receive Money in any two countries, to ascertain the true proportional values of the coins of each, before they can calculate the Par of Exchange.. that is. if Silver was the universal Money, what sum of the money of each country contains one ounce of Silver.-

Queere 4

Is it not the object of the Merchant in ascertaining the Par of Exchange thus to secure against ~~[illegible]~~ loss, and is it not therefore evident that in calculating the Par, he must not confine his views to the Quantity of Silver, which de jure the coins of each country contain, but that

## Quere 1.

Is not the exchange between two Countries said to be at Par, when any given sum paid in the Coin of the one will purchase a Bill which intitles the Purchaser to receive in the other a sum of Coin containing as much Bullion, as was contained in the coin he paid.

## Quere 2.

If in all countries accounts were kept in ounces of ~~Silver~~, would not the Variations in the Exchange accurately ascertain the relative proportion betwixt the demand for, and the supply of Silver in each country; the demand preponderating over the supply in that country, which was obliged to give a Bill for a few more Grains of Silver to be delivered in the other.-

## Quere 3.

As all countries, however keep their accounts in their own money, does it not become necessary for Merchants, who pay and receive Money in any two countries, to ascertain the true proportional values of the coins of each, before they can calculate the Par of Exchange - that is, if Silver was the universal Money, What sum of the money of each country contains one ounce of Silver -

## Quere 4

Is it not the object of the Merchant in ascertaining their Par of Exchange to secure against ~~[illegible]~~ loss, and is it not therefore evident that in calculating the Par, he must not confine his views to the Quantity of Silver, which de jure the coins of each country contain, but that



[...]o have been variously valued [...]from 13.88 to 15.71 to 1. [...]rant stated to the Bullion [...]t, now in China the relative [...] precious metals is about [...]o 1 of gold: and by the [...]n at Bengal, 14.861 to 1, [...] 13.872 to 1.

[...]a survey of a number of the [...]ign markets for specie, [...] world, and more especially [...]e present period, it is con[...]e relative value of silver to [...]he fair average, be stated to [...]At the highest mean propor[...]ld not be rated beyond $15\frac{1}{4}$ [...] various market prices these [...] the two metals have been [...]hose general prices the mint [...]st ever be subject. It may be [...]he relative value of silver to [...]rincipal mints of Europe, is [...]een 14.50 and 16.45 to 1.

[...]hen the relative value of [...]was in consideration, it was [...]y Sir Isaac Newton that [...]ilver bore generally a prehe must make his calculations upon the quantity of Silver, which is at the time, de facto, contained in the coin of each -

## Queue 5.

Is not Gold in some countries made the only legal Tender, and is it not so in England for all sums of Money exceeding forty Shillings.

## Queue 6.

From this circumstance, does it not become a much more complicated operation to calculate the par of Exchange betwixt England, and those countries where Silver is a legal tender?

## Queue 7.

To calculate the Par of Exchange in such a case must not the Merchant first ascertain the relative Value of Gold and Silver in the markets of the World. and if for example that should turn out to be as 16 to 1. must he not then calculate, what sum of our Gold coin contains the sixteenth of an Ounce, and conclude that that sum will express the Par of Exchange in England with the sum of Silver coin abroad, which de facto, contains an Ounce of Silver?

## Queue 8.

Is it not the object of the Merchant in ascertaining the Par of Exchange, to guard against loss. and is it not therefore obvious that in making his calculations he

must

must confine his attention, not to what the law says the gold coin should be in England, or what it declares the Silver coin to be abroad, but that he must express the Par of Exchange by that Quantity of Gold Coin, which would produce one Sixteenth of an Ounce of Gold in England, and that quantity of Silver coin abroad which would produce one ounce of Silver.

Queue 9.

Is it not, on this principle, clear that the Par of Exchange betwixt England and other Countries, if our Gold sovereigns had generally lost one sixteenth of their weight, would be varied, and that it would of necessity be expressed by a sum in Gold coin, one sixteenth greater than what antecedently expressed the Par with the Silver coin abroad, which contains one Ounce of Silver?

Queue 10.

Is it not, in like manner ~~clear~~ evident that, if there is in England no Gold coin in circulation, it matters not whether the Law has declared Gold by law the legal Tender — and that to secure the merchant against loss, the Par of Exchange must be calculated with relation to the money he is likely to acquire — that is, in Silver if Silver is the only coin then in circulation in England?

Queue 8.

Is it not the object of the Merchant in ascertaining the Par of Exchange to guard against loss, and is it not therefore obvious that in making his calculations he must

## Queue 11.

If these Queries are answered in the affirmative as our Gold coin has completely disappeared, does it not follow that the Par of Exchange betwixt England and all foreign Countries must now be expressed by the Quantity of silver abroad, which will produce an Ounce of Silver, and the quantity of our Silver Coin, which will also produce an Ounce of Silver?

## Queue 12.

When the Par of Exchange betwixt this country and Hamburg, Holland, and France was calculated in relation to our Gold Coin, was it not ~~at~~ with Hamburg in Shillings and Pence Flemish 34..1.36 ~~in~~ with Holland, in Florins and Stiver Currency 11..7..75 and ~~in~~ with France, in Francs & Centimes 25..25?

## Queue 13.

~~Now~~ When the Par of Exchange betwixt this country and Hamburg, Holland, and France is calculated in relation to our Silver coin, of which five Shillings and sixpence contain an Ounce of Silver, is it not nearly, with Hamburg 32..0..8. with Holland 10..14..1 and with France 23..73?

mium of 6 per cent. in Spain and Portugal, the sources of specie at that period, while the mint regulations were 16 silver to 1 gold; and the proportion was, therefore, regarded as fixed by commerce at $15\frac{1}{25}$ to 1. It would appear, that, since then, silver has rather sunk in value in comparison with gold; for although the doubloon has been somewhat debased, so that the proportions in the Spanish mints are now stated to be 16.45 to 1, yet in Spain no premium is commonly given on silver; and in Jamaica and at Gibraltar (which are now of greater import) where the specie markets are free, the premium on silver rarely reaches 4 per cent.: consequently, the proportion which may be now said to be fixed by commerce will be rather $15\frac{3}{4}$ to 1.

Having investigated the relative proportions of the precious metals in the markets abroad, it remains to examine their relative value in this country, and mark their conformity. The quotations are here given in detail, from January 1816, stating the prices of gold and silver bars on such dates only as there were transactions in both, at the same time, in the market. The relative proportions of the two metals resulting rom the several prices are in the last column.

| | Price of Stand. Gold, per Ounce. | | | Price of Stand. Silver per Ounce. | | Proportion of pure Silver to pure Gold. |
|---|---|---|---|---|---|---|
| 1816. | £. | s. | d. | s. | d. | |
| January 12 | 4 | 2 | 0 | 5 | 4½ | 15.39 |
| February 16 | 4 | 2 | 0 | 5 | 4 | 15.51 |
| March 26 | 4 | 2 | 0 | 5 | 3½ | 15.64 |
| April 2 | 4 | 2 | 0 | 5 | 2½ | 15.89 |
| —— 5 | 4 | 1 | 0 | 5 | 2½ | 15.69 |
| —— 26 | 4 | 0 | 0 | 5 | 1½ | 15.75 |
| June 14 | 4 | 0 | 0 | 5 | 1 | 15.88 |
| July 9 | 3 | 19 | 0 | 5 | 0½ | 15.81 |
| October 4 | 3 | 18 | 6 | 5 | 0 | 15.84 |
| —— 22 | 3 | 18 | 6 | 4 | 11½ | 16.11 |
| November 8 | 3 | 18 | 6 | 5 | 0 | 15.84 |
| —— 26 | 3 | 18 | 6 | 4 | 11½ | 16.11 |
| 1817. | | | | | | |
| January 17 | 3 | 19 | 6 | 5 | 0½ | 15.91 |
| —— 28 | 3 | 19 | 6 | 5 | 1 | 15.78 |
| March 7 | 3 | 18 | 6 | 5 | 1 | 15.23 |
| —— 28 | 3 | 18 | 6 | 5 | 2½ | 15.17 |
| April 18 | 3 | 19 | 0 | 5 | 1½ | 15.53 |
| June 10 | 3 | 19 | 0 | 5 | 3 | 15.18 |
| July 11 | 3 | 18 | 0 | 5 | 2 | 15.43 |
| August 5 | 4 | 0 | 0 | 5 | 3½ | 15.25 |
| —— 8 | 3 | 19 | 6 | 5 | 3½ | 15.16 |
| October 7 | 4 | 0 | 0 | 5 | 3 | 15.38 |
| November 4 | 4 | 0 | 0 | 5 | 3½ | 15.13 |
| Decemb. 23 | 4 | 0 | 6 | 5 | 3½ | 15.35 |
| 1818. | | | | | | |
| January 20 | 4 | 1 | 0 | 5 | 3½ | 15.44 |
| February 17 | 4 | 2 | 6 | 5 | 4½ | 15.49 |
| March 6 | 4 | 1 | 0 | 5 | 4 | 15.33 |
| —— 13 | 4 | 1 | 6 | 5 | 4 | 15.44 |
| —— 17 | 4 | 1 | 0 | 5 | 4 | 15.33 |
| April 24 | 4 | 1 | 6 | 5 | 5½ | 15.07 |
| May 5 | 4 | 2 | 6 | 5 | 5½ | 15 25 |

During 1816, silver appears to have been lower in value, compared with gold, than it has been since. The new silver coinage which was issued the 13th of February 1817, has had this tendency, according to the principle here maintained. This must be more peculiarly evident in the relative market proportions on its first emission, on account of the ascendency conferred on silver in the newly-established mint proportions; and the impulse then given to it to take that direction. But a local proportion here differing from the general one of other markets, can only be temporary; and a rise in the numerical value of gold will probably equalize our proportion of the two metals to that of other places.

That the metal which is underrated in the coinage, when compared with its proportionate value in the market, must disappear, has been repeatedly seen. When in the reign of William III. the new coinage was effected on the suggestion of Mr. Locke, the guinea passed for 21*s.* 6*d.* and the relative proportion of the silver and gold coins was 15.57 to 1, while the commercial proportion was, as has been just mentioned, $15\frac{1}{25}$ to 1: the consequence was, that although 7 millions of silver were coined, nigh the whole disappeared by 1717; and Sir Isaac Newton, then, in his Report to the Treasury, stated, that silver must shortly bear a premium. That great authority declared the indispensable necessity of conformity in the coins to the market proportions. He sought to ascertain the latter, and upon the proposition he made, he used this memorable observation; 'that the measure he suggested would bring the relative value of the two metals as near as could be ascertained to the market price.'

The view was, then, to restore the silver coin to circulation, and this metal was still pronounced to be the standard measure of value. The suggestion of Sir Isaac Newton was to reduce the current rate of the guinea from 21*s.* 6*d.* to 20*s.* 8*d.* or 20*s.* 6*d.* that is, the relative proportion from 15.57 to 1 to 14.97 or 14.85 to 1. The market price of silver being considered in relation to gold as $15\frac{1}{25}$ to 1, the proportions proposed to be established could not fail to give the ascendency to silver. A middle course was adopted, and the guinea fixed

^ not on account of, as
Lord Liverpool states,
"a taste acquired by
the nation for Gold"!



at 21*s*. or the proportion made 15.21 to 1. The event of this measure was another verification of the correctness of the opinion of that great master. At the proportion of 15.21 of silver to 1 of gold, the latter metal maintained the ascendency, consequent on a commercial proportion of 15 $\frac{1}{15}$ to 1: and, ^ finally, in 1773 the gold coins were formally declared to be the standard of value. Yet, by the approximation of 15.21 to 1 to the proportion of commerce, silver was never so distressingly scarce as when the coins stood at 15.57 silver to 1 gold. This proportion, 15.21 to 1, was of a more than ordinarily permanent nature: in the space of a century, the only interference on the part of the Government was the gold coinage of 1773; and the merit of that was confined to the mere renovation of the gold currency, and the improvement introduced of weighing the coins in the circulation.

It was with this experience and information regarding the metallic Currency, to direct proceedings for the remedy of its disorders, and its re-establishment on a correct basis, that it was deemed fit, in

1816, to depart from the preceding mint proportions in the two metals. It was not in order to adopt the relative proportion which had been recommended by Sir Isaac Newton in 1717; that is 14.97 or 14.85 to 1. The gold coin was retained in its former purity and sub-division; but the new silver coin was raised in reference to gold, the pound troy being, by an increase in tale, coined into 66*s.* instead of, as heretofore, into 62*s.* The proportion in relation to gold from 15.21 to 1 was thus established at 14.29 to 1. In 1717 when silver was proposed to be the standard metal, the proportion 14.97 to 1 was considered sufficient to effect it, the market proportion being held to be $15\frac{1}{25}$ to 1; yet in 1816, when there is every reason to think that the market proportion is nigher $15\frac{1}{2}$ to 1, the low mint proportion of 14.29 to 1 has been introduced, and at the same time gold was more peremptorily than ever pronounced to be the standard measure of value, and equivalent for property.

The course probably should have been, cautiously to have continued at the old proportion; or to bring the silver coin, if a change were requisite, nigher to 15½ of silver to 1 of gold; and especially on avowing the fixed intention of making gold the predominant metal.

In a currency of the two precious metals, that which recurs in most frequent and large payments, becomes the general object of reference in the estimation of value, and is termed the standard metal, forming the measure for the other metal and for goods generally.

That one of the precious metals should be the standard, and be, if possible, permanently continued so, is of a certain degree of importance. The portion of consequence which attaches to this matter is commensurate with the extremes of fluctuation in the relative value of the two metals. Gold and silver are liable to variation in quantity and worth, yet are less so than perhaps any other commodity, and in other respects are most suitable as the common medium for the exchange of property. But the fluctuation in the relative proportions of the one to the other being much slighter than the fluctuations of the two conjointly considered, in comparison with commodities generally, it is less material whether a contract be fulfilled in the one or the other. Any alteration which may have taken place in the value of the precious metals, will, according to moral probability, have equally affected both. The experience of a long series of years past shows that the contractor in one understood metal might almost indifferently have had the payment made in the other; the variation from the understood metal to the other has rarely extended to 3 or 4 per cent.; and that sometimes against the understood one, and sometimes in its favour. An annual payment, stipulated in gold in 1700, when its value to silver was as 1 to $15\frac{1}{25}$, might at most periods since then have been indifferently received in either metal; silver at certain times has been more valuable than that proportion; at present it is less so: yet it has not risen more than 3 per cent. generally, or of late fallen usually more than 5 per cent.

This explanation is intended to denote the degree of importance belonging to the nomination of one of the metals as the standard. It may not be of moment which of the two precious metals be the medium of payment, but it is of greater moment that one of the two should be that medium. Many, or rather most countries have moneys of account, which being imaginary, that is, not designating any actual coin, leave the contracts of life which are usually made in such money of account to be paid in either of the precious metals, and even in any less certain currency, which may have gained reception.

It is far from being here designed to deny the principle that one of the two precious metals should in rigorous good faith be permanently adhered to, and maintained in unchanged purity. Contracts for a term of years, annuities, and fixed pay of the clergy, navy, and army, and future payments generally, it is highly desirable, should be secured in one given, and, as far as possible, certain medium.

This has, by no means, been our case while the paper currency has superseded gold. This period, especially the time of the war, might be passed over in a review of the currency, as is that from 37 Henry VIII. to 4 Edward VI., by Mr. Lowndes in the table of coins, and with the same expression: " a state of confusion." Yet it is deserving of notice, that in the much varying prices of the precious metals, gold rising from *3l.* 17*s.* 9*d.* as high as *5l.* 11*s.*; and silver from *5s.* to *7s.* and returning after the war to the lower extremes, still the relative proportions of silver to gold in all the fluctuations kept as steady, as in a circulation solely metallic. This third medium which had arisen, issuing from an appointed establishment, under certain self-prescribed limitations, became depreciated; yet in this depreciated medium, the old ones now displaced, and become merchandise, gold and silver, uniformly bore interchangeably their proportionate values in the market of the world.

A few instances of their relative proportions may be cited, taking the prices of specie at their most varying rates. The third medium was originally identified with gold coin, being exchangeable for it at will The ounce of gold coin was divided into 77*s.* 10½*d.*; and it is demonstrable that an ounce of coin must constantly to this day have bought an ounce, at least, of gold bullion. Assuming, therefore, 77*s.* 10½*d.* to have been the actual price of gold bullion in coin, and the quotation of the market being in paper, the third medium (which also bore the denomination of pounds, shillings, and pence) the relative value of paper to gold may be stated. A comparison may also be made of the paper price of silver bullion, with the original paper and mint price of gold 77*s.* 10½*d.* per ounce, in order to give some further clue in the labyrinth of the moneys of the time. As silver tokens were issued at depreciated rates, and the price of silver bullion was of some duration at 6*s.* 6*d.* to 7*s.* per ounce, 12.09 to 11.23 silver to 1 mint gold, the utter impossibility is seen of the latter remaining in concurrence with silver so overrated.

| | Price of gold in bars per oz. payable in paper currency. | Price of silver in bars per oz., at the same dates, payable also in paper currency. | Relative values of silver to gold, both payable in paper currency. | Relative value of the paper currency to gold, the latter calculated at 3*l.* 17*s.* 10½*d.* per oz. | Price of silver in bars, in paper currency, compared with gold, at 3*l.* 17*s.* 10½*d.* ounce. |
|---|---|---|---|---|---|
| In 1800 | 4 5 0 | 5 9½ | 14.81 | 1.092 | 13.57 |
| 1805 | 4 0 0 | 5 5½ | 16.79 | 1.027 | 14.40 |
| 1810 | 4 12 0 | 5 9 | 16.15 | 1.181 | 13.67 |
| 1813 | 5 11 0 | 7 0 | 16.00 | 1.425 | 11.23 |
| 1816 | 3 18 0 | 4 11 | 16.01 | 1.001 6/10 | 15.98 |
| 1818 | 4 2 6 | 5 5½ | 15.25 | 1.059 | 14.40 |

It will probably not be contested that

prior to the Bank restriction to pay in gold, the primary medium was the Mint coined gold, forming the basis of circulation, and the reference of value in all contracts; that the second medium, the silver coin, was its representative merely in small payments; and that the third medium, Bank paper, was merely the representative of the gold coin, in large payments. But after the restriction, this now sole medium in large payments, lost its identity with the coined gold. The engraved paper had the same denomination, a pound, but ceased to be the same in exchangeable value, as a pound sterling in coin, or 20 of the $77\frac{10\frac{1}{2}}{12}$ parts of an ounce weight of gold. The two mediums were convertible at one moment in the proportion of *5l.* 11*s.* to *3l.* 17*s.* 10½*d.* or 1.425 to 1; and at the present time, the difference is nigh 6 per cent. The fluctuations of silver, in relative value to gold, were, during the 18 years above cited, within the extremes of 14.79 and 16.15 to 1, a difference of about 9½ per cent., while the paper fluctuated full 42 per cent.

Any contract expressed in the money of account has been payable in a medium thus variable. For instance, a money rent or annuity of 100*l.* which might have been contracted in standard gold coin, has been worth in reality, paid in this paper, no more than 70*l.* 3*s.* 5*d.*, gold coin, and is now worth no more than 94*l.* 7*s.* 9*d.*, gold coin. But had the medium of payment been only altered from gold to silver, the difference had been less important. The silver at one extreme was less valuable than gold $5\frac{8}{10}$ per cent.; at the other extreme it was more valuable, $2\frac{8}{10}$ per cent., when compared with the mint proportion 15.21; and compared with the proportion of commerce, $15\frac{1}{2}$, varying about equally both ways.

While our gold Currency was in its purest state, 1773 to 1799, the price of gold bullion fluctuated between the extremes of 3*l.* 17*s.* 6*d.* and 3*l.* 18*s.*; standard silver from 5*s.* to 5*s.* $11\frac{1}{2}$*d.*; and the extreme relative values were 13.18, and 15.70 silver to 1 gold. The former extreme was a solitary instance; silver very rarely passed 4 per cent beyond the mint price. Even if the investigation be carried for a century back, the value of silver compared with gold, will be, with few exceptions, found to have fluctuated not more than 3 per cent. above or below the mint proportion 15.21 of silver to 1 of gold.

A century ago, the arguments of Mr. Locke induced the nation, with a high view to the fulfilment of strict justice in the contracts of life, to expend in a coinage, nigh three millions sterling of that day: the main object in incurring which expence was to prevent the standard of value from one metal, becoming the other. Yet it appears by the experience of a century, this hazard involved not more than the chance of 3 per cent., at most, for or against either parties. A currency has been introduced going wholly against one party in contracts, the receiver; and in the short space of 18 years, at one moment proceeding to the extent of 42 per cent. beyond the old metallic measure of property.

After having passed through so eccentric a course with our standard of value, and having lately approached the true orbit, though now again diverging, the only sound proceeding were to return, and adhere to the old and safe track.

In the foregoing statement, Bank notes have been considered as identified with our coined gold. In a duly settled Currency of convertible notes, the great part in circulation, would rather represent uncoined gold in the coffers of the Bank. As an ounce of coined gold is divided into

| | |
|---|---|
| | 77*s.* 10½*d.* |
| Deduct for the expense of coinage, said to be 1½ per cent. | 1. 2 |
| Bank notes would be equivalent to | 76*s.* 8½*d.* |

the value of bullion; with more, the expense of their issue.

Unless a value be given in the Currency, to one metal, to some extent above the proportion in commerce, temporary causes will arise and give a prevalence, of more or less duration, to a different metal from the one previously having the lead in the circulation; and will render, for the time being, this new one to be the standard in practice. Contracts are usually expressed in the money of account: if those contracts are made when gold is the predominant coin, the parties will understand, that coin; and gold is the standard of value. But if any circumstance drives away the gold, and silver coin gets the ascendency, gold becomes a merchandise, and, then, is silver the standard of value. In the same manner, if paper fill the chief place in the Currency, and become the mode of payment understood in the minds of contractors, paper must be allowed to be the standard of value, bearing a reference, however obscure and distant, to gold, property, or any thing else: a sign not easily definable, but disposable at the moment, for the equivalent of what has been given for it; fit enough for contracts for the instant, but very unfit for contracts for time.

In a Currency of specie, the standard may be defined, that metal which is made by the government, through the means of the coinage, to be the great circulating medium. It is indispensable that a superior value should be given in the coinage, to that metal which is adopted to be the primary one. To enact, as parliament, one metal to be the standard, and in the same instant, to give a superior value to the other, is virtually to enact one thing, and to render another alone practicable.

The legislature, to give effect to its declaration, that the gold coin should be

Here is the fallacy: it being assumed that a quantity sufficient for the whole circulation can be issued in silver



the standard of value, likewise, decreed that the silver coin should not be allowed to be a legal tender for any sum exceeding forty shillings. It is thus thought to make silver the subordinate metal; to serve for small payments, and exchange only for the fractional parts of gold.

It is very questionable that this enactment can have the intended operation of giving the ascendency in the circulation to the gold coin. Being accompanied by a relative value in the coinage differing from the usage at the mint of other, and particularly neighbouring countries; and still more being inconsistent with the natural proportion of the metals; an interest is constantly in action to withdraw the gold coin, which is declared to be the only legal tender; and to introduce the silver coin, which is admitted only as change. If an excessive value be given to the silver coins, and a quantity sufficient for circulation issued; the gold, notwithstanding any enactment whatever, must disappear, and payments be taken in silver, or the gold acquire an aggio to bring it to its due proportionate level. If it be forbidden, as in the act, to give an aggio upon gold, the coin disappears. Yet as payment may still be exacted in it, individuals will guard for the future against placing themselves in such a dilemma;† and the mode will be devised of extricating themselves from past engagements as to payments in this impracticable legal way. Eventually parliament may be obliged to interfere, as it did in obliging those entitled to payment in guineas, to receive bank notes. The evil would come to such crisis.

The present coinage of silver, forming of the pound troy, sixty-six shillings; with the coinage of gold, making of the pound troy, forty-six pounds, fourteen shillings and sixpence, establishes the relative value of $14\frac{2878}{100000}$, (say 14.29) of pure silver to 1 of pure gold. In France, the proportion between the silver and gold coinage, was found by assays to be 15.42 pure silver to 1 pure gold. The charge of conveying gold from London to Paris is $\frac{1}{2}$ per cent, exclusive of insurance and commission: the former is probably never made from the little risk; and the gain of the latter, the commission $\frac{1}{2}$ per cent.,

† Gold?

Why impracticable

would alone, be considered an adequate remuneration on the transmission, to both forwarder and receiver. In like manner, the charge of conveying silver may be stated at ¾ per cent. Accordingly; 14.29 ounces of silver, are to be here, by the mint regulations, exchangeable for 100 ounces of gold coin: + which transmitted to France (to Havre, to Calais, or even to Paris) will purchase of pure silver in French coin. . . . . . 1542 ounces

| | | | |
|---|---|---|---|
| Deduct charges to France | ½ | 1¼ per cent. | 19¼ |
| from France | ¾ | | |

Leaving, clear of charges 15.22¾ ounces of silver, obtained in the space of a week, or ten days, for 1429 ounces: or giving a profit of 6¼ per cent. in a quick and certain transaction: and which may be repeated full forty times in a year. Since our new gold coin was issued, very frequently about 1590 ounces of fine silver, could have been got in the Paris bullion market, for 100 ounces of fine gold; + leaving then 9⅘ per cent., clear gain. Less the charge of coinage the silver into coin

But, without going from the country, the market prices of gold and silver bul-

+ No.

+ Not only the ? purchase here 1590 ounces of silver coin. - This remark is correct; the pamphlet should have had the addition annexed to it. M.F.

o This is the only fair view of the

lion in London have been stated to be on the average in the relative proportion of 15.50 of pure silver, to 1 of pure gold. If the possessor then of 100 ounces of pure gold in sovereigns, can ordinarily get for them in the market, 1550 ounces of pure silver bullion, which are $1675\frac{25}{37}$ ounces of standard silver; for these $1675\frac{25}{37}$ ounces, by the act regulating the present coinage, he receives at 62*s.* per pound troy (4*s.* being reserved for seignorage) 432*l.* 17*s.* 8*d.* in silver coin, from the mint. This money, exchanged again for sovereigns, are

| | | |
|---|---|---|
| | $101\frac{9}{10}$ oz. of pure gold. | |
| For which were given | 100 | |
| Leaving gain | $1\frac{9}{10}$ | per cent. |

Thus may any holder of the current gold coin, in perfect conformity with the law, derive $1\frac{9}{10}$ per cent. profit, by every repetition of this easy transaction, while the market proportions of the prices of gold and silver bullion are at the average rate of $15\frac{1}{2}$ silver to 1 gold. If it be objected, that this is too low an average rate of silver compared with gold; $15\frac{1}{4}$ to 1, the relative value of the present day, by the same process will be found to leave one

Copy of a letter from Mr Fletcher to the Earl of Lauderdale

No. 77 Upper [illegible] Street
[illegible] June 18[illegible]

My Lord
I have much pleasure, in obedience to your Lordship's Commands, to hand the original proportions, on which the calculations referred to, were made:

Pure Silver oz 37 : Standard Silver 40 :: Pure Silver 1550 : Standard Silver $1675\frac{25}{37}$

Standard Silver bullion 1 : Received from Mint $5\frac{2}{12}$ shillings 5/2 :: oz Standard Silver bullion $1675\frac{25}{37}$ : Receive in Silver Coin £432,17,8

Shillings Silver Coin 77/10½ : oz Gold Standard 1 :: £ in Silver Coin £432,17,8 : oz Gold Standard in Coin $111\frac{17}{100}$

Standard Gold 12 : pure Gold 11 :: oz Standard Gold $111\frac{17}{100}$ : pure Gold $101\frac{9}{10}$

A pound of Standard Silver contains 12 ounces, [illegible]

111 ounces 2 dwts are pure Silver: that is 240 dwts Standard are 222 dwts pure:— or, otherwise, 40 dwts Standard are 37 pure

A pound Standard of Gold contains 24 Carats:— of which 22 Carats are pure Gold: that is, 24 Carats ounces a pound Standard are 22 pure, or otherwise 12 Carats, ounces a pound are 11 pure

The 18 pennyweights alloy in Silver & the 2 Carats alloy in Gold are counted for nothing. These points are explained in Dubois Element of Commerce Vol. 2. p. 47. It is there said, the alloy in Standard Silver is all fine Copper:— in Gold the 2 Carats alloy are 1 Carat fine Copper, & 1 Carat fine Silver — If this be correct & if the Gold-smith can extract, apart, the 1 Carat fine Silver from a mass of Standard Gold, it becomes a question, which has never been adverted to, whether the proportion of alloy in Gold should not be counted in reckoning the proportion of Standard Gold to Standard Silver. An ounce of Standard Gold contains $\frac{1}{24}$ part pure Silver. — $\frac{1}{24}$ part of an ounce weight of Silver at 5/6 — is 2 $\frac{972}{1000}$ pence: at 5/2, is 2 $\frac{792}{1000}$ pence — Query, should this be added to £ 3-17-10½ pr, the price of Gold:— that is, does a melter get so much Silver out of an ounce of Gold — the Mint possibly incurs a charge by this species of alloy — 1000 oz of Gold at £ 3-17-10½ pr, are £ 3893-15:— & have 2000 grains of Silver / $\frac{1}{24}$ of an ounce is 20 grains — which at 5/6 — are £ 1.2.7.6 therefore a Coinage of

£ 30,093,750 Gold has £ 12,750 Silver & consequently the
Gold Coinage of the present reign £ 64,000,000 (Colquhoun
page 224) had expended in Silver for alloy (at 5/6) about
£ 209,566 —— Wherefore, is Silver necessary as part alloy?

To return my Lord from this digression to
your enquiry about the calculations. I might have
stated the case p. 30 in other words, thus. —— 100 ounces
of pure Gold (as 11 to 12) are 109 1/11 ounces Standard
Gold, at £ 3-17-10½, being in Sovereigns £ 424-15-6
— which money will buy Silver — (Standard purity)
at the market price 15½ to 1 (or as before say
at 5/4/5 per ounce) 1,575 25/37 ounces, for which the
Mint gives at 62d —— £ 432-17-8
but for which were given —— 424, 15-6

Profit 1 9/10 per Cent, or very nearly —— £ 8-2-2

I trust these particulars will supply the deficiency
of the statement of my pamphlet: if any thing further be
desirable, I shall be happy to furnish your Lordship with
the same. I beg to enclose a statement which a
friend in the City — a very eminent Dutch Mer-
chant, gave me to day — being the copy of what
he had communicated to Mr. Vansittart some time
back; when he also observed upon the discrepancy
between our proportion of the two metals (that of
France: — the latter he stated to be 15 50 to 1. I
cite this as a corroboration of my facts, by a leading
practical authority.

39 is a misprint: 1550 ounces of Standard Silver should be pure Silver, at 66/ pr pound Troy, Standard makes £400-6-2. This however is not, I believe a part referred to, in your Lordships letter.

I shall have great pleasure, My Lord in attending upon you on Sunday morning next at 1/2 after 11, & in the mean time, I have the

(Signed) Matthew Fletcher

Statement referred to in the preceding Letter

| | | | |
|---|---|---|---|
| 934 1/2 Sovereigns | | | |
| weight 20 lbs | £934 | — 10 | |
| Charges to Paris 15/9 per cent | 7 | — 0 | 3 |
| | £941 | — 10 | — 3 |

20 lbs of gold sold 345 francs

| | | | | |
|---|---|---|---|---|
| per Hectogramme | Fr. 24423 | | | |
| 1/2 per Cent Brokerage 122 | | | | |
| 5/p charges in remitting 153 | 275 | | | |
| | Fr. 24,201 | | | |
| Fr. 24201, at 24 | £1006 | | | |
| discount of remittance 41 days | 5 — 13 | £1000 | — 5 — | |
| Profit | | £50 | — 14 — | 9 |

January 1818

All charges are here included

quarter per cent., compensation very sufficient in an affair without risk. At the proportion of 16 to 1, the gain is $5\frac{1}{3}$ per cent. By referring to the proportions prevailing the last two years, it will be seen, how often the proportion exceeded $15\frac{1}{2}$ to 1.

But in the hands of the illegal coiner the 1550 ounces of ~~standard~~ fine silver will, at 66*s.* the pound troy standard, make 460*l.* 16*s.* 2*d.* in silver money, of legal weight and purity. This, exchanged for sovereigns, renders $108\frac{1}{2}$ ounces of pure gold:—deduct from this $2\frac{1}{2}$ per cent. usually stated to be the cost of coinage; and the clear advantage is 6 per cent. This is the evil arising from the seignorage, exceeding the charges of coinage; which has been another error in the late mint regulations, offering a new inducement to the false coiner; whether here, within the reach of the law; or on the continent, out of it.

The limitation of a tender, obligatory on the receiver, to 40*s.* in silver coin, may increase the labour in collecting the gold coin for the silver; but the gain is much more than a sufficient remuneration. These sources of profit by the exchange and transmission of coin and bullion are no mysteries: it is the trade of every money dealer; many of these transactions are become already impracticable, because the gold coins cannot be found. The effect of the ill-judged mint proportions is even now manifest; and guineas and sovereigns are sought and paid for, clandestinely, at a premium of 1½ to 2 per cent. That they † should ever circulate without is utterly impossible, unless the relative value of silver to gold should alter in the world; silver advance some 8 per cent. or gold fall, so as to correspond with our mint proportion. No one will urge in reply to these arguments, that there is an adequate restraint on most of these transactions, inasmuch as they involve illegal practices. Though no man of character will export British coined gold; (however impolitic the prohibition;) still less melt it; and far less be concerned in the coining of silver, abroad or at home, even of the standard purity and weight; it is very clear the temptations are too various and strong to leave the dishonest inactive.

If, by the regulation of the law, the

+ Perfectly possible, & highly probable. Reduce the number of Bank Notes so as to bring the Paris Exchange to 25. 15 & others in proportion, & then only can the question be fairly tried.

+ This is neither quoted nor proved. the consequence therefore falls to the ground, or at least is still in question. — I entertain no doubt that there may be such a reduction of Bank notes as to raise the Paris Exchange to 25.15 — & in such case [illegible] [illegible] [illegible] that the price of silver [illegible] would be at 5/6



+ silver coin is thus forced into the chief place in the currency, it necessarily follows that silver bullion will acquire the same denominative value as the coin. An ounce of coined silver being 5*s.* 6*d.* such must be the worth in the market of an ounce of standard silver bullion; less the expense of the coinage. Mr. Locke says: "One ounce of silver is, and eternally will be equal in value to another ounce of silver; and all that can possibly put a difference between them, is only the different value of the workmanship bestowed on one more than another." He should have added the condition, of silver being the primary metal; and his principle would not have met with the exception, as to the denomination of the metal, which was afterwards made to it. Whatever metal be the standard coin, it must be interchangeable with the same metal in bullion, weight for weight; the labour bestowed upon the coin is a separate consideration. This was strikingly proved in our new gold coinage in 1773. Gold was, before and subsequently, the standard metal. Before the coinage, the guineas commonly met with were somewhat deficient in weight, and

77*s.* 10½*d.* in tale, would not weigh the ounce weight; therefore an ounce weight of the metal in the market, was paid in tale 77*s.* 10½*d.* and as much more as made up the deficiency; with some consideration for the workmanship on the coin. The price prevailed above 80*s.* After the issue of the new coin, it being full weight, 77*s.* 10½*d.* in tale weighed precisely the ounce; and, therefore, the ounce weight of metal was paid for in the market, 77*s.* 10½*d.*; and as much less as was due for workmanship of the coin, adding a consideration for loss of time occurring to obtain it from the mint. The exact worth of bullion has been before calculated to be 76*s.* 8½*d.*; compared with full weight coin, the actual market price was never below 77*s.* 6*d.*; the difference might be the consideration for time and trouble necessary to get bullion converted into coin at the mint. The price of bullion continued inferior to the mint price, till the Bank restriction took effect, from 1773 to 1800; which inferiority was mainly perpetuated by the usage of weighing being introduced; and, therefore, the coin in circulation constantly kept of full weight.

To increase the intricacy of researches into the currency, a subject sufficiently perplexing without increase, the same denomination for a money has often various imports. The word, pound, in the sense of a money, has had innumerable meanings; and concurrently with it the word, shilling, its twentieth part. Thus, to state only a few. In 1700 the guinea being 21*s.* 6*d.* the shilling was, in gold money, 5.519 grains troy, of fine gold. In 1717, the guinea being reduced to 21*s.*, the shilling of gold became 5.650 grains of fine gold. During both these periods, and up to 1816, a shilling also meant $\frac{1}{62}$ part of a pound troy weight, of coined silver, or 85.935 grains of fine silver. A shilling now, silver money, means $\frac{1}{66}$ part of a pound troy weight, or 80.727 grains of fine silver. There are likewise remaining in circulation, Bank silver tokens, of which the shillings are still different. The shilling means, besides, at present, $\frac{1}{20}$ part of a pound note, which not being convertible into metal, except in the bullion market, may be termed (at 4*l.* 2*s.* 6*d.*) $\frac{2}{165}$ part of an ounce of standard gold bullion; was a month ago $\frac{1}{163}$; and may, probably, be a month hence $\frac{2}{167}$ part. As in some countries they have bank and current money, so have we (but without specifying them, to be the more confused,) in our money, gold pounds, silver pounds, and paper pounds sterling; and different species of every kind, and none of like value. It is, however, truly incumbent in the affairs of life, for parties who speak of pounds sterling to understand for what they may be treating.

It may spare some future discussion to exemplify some of the various applications made of the term shilling. Mr. Locke maintained that an ounce of silver coin, being *5s. 2d.*, an ounce of silver bullion must be the same; the price of the bullion, however, not falling below *5s. 3d.* although the coin was full weight, the people objected that such was the proper price. Mr. Lowndes insisted, as a sort of mathematical truth, that the silver coin should be raised to *6s. 3d.* Sir Isaac Newton proposed that the due price of the guinea would be *20s. 6d.*; the government decided for *21s.* The present master of the mint may choose to say, that

0302

N° 77 Upper Guildford Street, 3 July 1818

My Lord

It being the end of May when my Pamphlet was published, the last proportions of the precious metals there given will scarcely vary from the present i.e. interval being only one month. The proportions then were of Silver to Gold:

| | | |
|---|---|---|
| Hamburgh | 15.40 | These are the four principal Foreign Specie markets of the present day. |
| Paris | 15.52 | |
| Gibraltar | 16.16 | |
| Jamaica | 15.77 | |
| London | 15.25 | |

During the next week, I will collect the latest advices of prices from the most authentick sources, & submit them for Your Lordship's information.

It may be remarked here that throughout June, the proportion here was only 15.07, Gold bars having fallen from £4. 2.6 to £4. 1. 6. I ascribe this reduced proportion to the effect of our mint regulations not having yet produced a settled effect — Gold, always the less marketable metal, is now more so than ever (being made subordinate in circulation) though far hand — The proportion cannot last so low as 15.07 — the silver must fall a little unless the Bank overstock the country with paper — The Queries for the Minister were pointed out to me yesterday, & appeared to awake the attention of the readers by their point & clearness —

I doubt they can give rise to much dispute as to the answers. There will be the strong case in reserve of the illegal Coiner who makes 5/6 of his Ounce of Silver, less high expenses without debasement, & can repeat the operation daily not being subject to loss of time at the Mint —

15 ℔ oz at 5/6 are £4. 5. 3
less 2½ p% which is more than the coining costs 2. 1½
£4. 3. 1½ produce of the first day's labour, reinvested in gold Coin at £3. 17. 10½ will produce 1.067 oz gold, of (at 15½ to 1) 16.54 oz silver
which coined at 5/6 are £4. 10. 11½
less 2½ p% (for expenses) 2. 3½
£4. 8. 8 produce of the 2nd day's labour —

If any one were to take the trouble to pursue the calculation 300 times, it would be seen what a prodigious encouragement is offered to an illegal coiner of a commencing capital of £3. 17. 10½

the late Coinage ... the late regulation (Pol: Economy, Page 528) continued the Queries in the
I hope if any one answers the Queries ... it will be Mr
Finance a tiny book generally ... Traité d'Économie
R. because Mons Say says (Traité d'Économie Politique Vol 2. Page 29) he is "l'homme d'Europe qui entend le mieux la théorie & la pratique des Monnaies" — and, I suppose, as an instance he says Vol 1. Page 380 "pour que la somme de la monnaie de papier ne pût pas être portée au-delà des besoins de la circulation, M. David Ricardo a proposé un moyen fort ingénieux, & qui consiste à obliger la banque à rembourser la monnaie de papier à bureau ouvert, en lingots" — Probably by way of return, Mr R. at the close of his Preface says that M. Say's chapter 'Des Débouchés' contains some very important principles which I believe were first explained by this distinguished writer;" although

by a year's labours, allowing him to rest on Sundays & a few holydays — The only injury such coiner would do to the State & Publick would be by keeping the loss of coining gold in perpetual progress at the produce proportionate value.

I have heard that two well known writers on Currency, Mr Ricardo & Mr R Mushett of the Mint, have strongly expressed their dissent from the principle of my Pamphlet: they think the enactment of the Legislature will suffice to make gold the standard & prevalent coin — I suspect these Gentlemen were advisers on the late coinage: especially as Mr Ricardo (Pol: Economy, page 528) commends the late regulation. I hope if any one answers the Queries in the Times, or my book generally, it will be Mr R. because Monsr Say says (Traité d'Economie Politique Vol 2. Page 29) he is "l'homme d'Europe qui entend le mieux la theorie & la pratique des Monnaies" and, I suppose, as an instance he says, Vol 1. Page 380 "pour que la somme de la monnaie de papier ne pût pas être portée au-delà des besoins de la circulation, M. David Ricardo a proposé un moyen fort ingenieux, & qui consiste à obliger la banque à rembourser la monnaie de papier à bureau ouvert, en lingots" — Probably by way of return, Mr R. at the close of his Preface says that M. Say's chapter 'Des Débouchés' contains some very important principles which I believe were first explained by this distinguished writer;" although

who makes 576 of his ounce … operation daily not debasement, & can repeat the operation daily at the Mint being subject to loss of time at the Mint

157 oz at 5/6 are £4. 5. 3
less 2½ p% which is more than the coining cost 2. 1½
£4. 3. 1½ produce of the first day's labour, reinvested in gold coin at £3. 17. 10½ will produce 1.067 oz gold, of (at 15½ to 1) 16.54 oz silver
which coined at 5/6 are £4. 10. 11½
less 2½ p% (for expenses) 2. 3½
£4. 8. 8 produce of the 2nd day's labour.

If any one were to take the trouble to pursue the calculation 300 times, it would be seen what a prodigious encouragement is offered to an illegal coiner of a commencing capital of £3. 17. 10½ although that Chapter is no more than an amplification of the Principle so well explained by Your Lordship, page 189 in Public Wealth in treating on the economy of circulating capital:— the part of that work which has been most & universally approved—

These remarks apart, I think very highly of both Mr Ricardo & Mr Gray's books, especially the latter.

I see in the Pamphleteer, just out, a Letter to W. W. Pole, in which the Author seems aware that the Gold Coin cannot remain, but supposes the Mint will coin no more Silver, though the act appears to imply that the Mint must when required.

Your Lordship's queries rest upon the proportion of 15½ Standard Silver to 1 Standard Gold, which I find to be the equivalent of 15.64 fine Silver to 1 fine Gold which will, of course, be a little more difficult to maintain — 15½ to 1, both Standard are equal to 15.39 to 1, both fine — which, as Your Lordship remarks, would embarrass the Bank by awaiting of the Mint; without saying any thing of the Private Coiners.

I beg pardon for trespassing so long upon Your Lordship's time, & intending to transmit you the particulars requested next week & I have the Honour to be,

My Lord,

Your Lordship's very devoted servant

Matthew Fletcher



the sovereign is 20*s*. It is here alleged that the mint regulations make it nigher 21*s*. 6*d*. The advocate of Bank notes perseveringly insists, that they have never been depreciated, because he has never found them pass under 20*s*. While the same name, in all these cases, is used, it is not always the same thing is meant. Mr. Locke spoke of 85.935 grains of silver in bullion, which could not possibly be worth less than 85.935 grains of silver in coin. The people alluded (probably without being aware of it), to 5.519 grains of gold, the $21\frac{1}{2}$ part of a guinea. The shilling of Mr. Lowndes was 70.04 grains of silver, the pure contents of a shilling bullion, at the market price, then 6*s*. 3*d*. per ounce. Sir Isaac Newton spoke of the shilling named by Mr. Locke, 85.935 grains of silver; the shillings of the government were the present ones of gold 5.65 grains, $\frac{1}{21}$ part of a guinea. The master of the mint in calling the sovereign 20*s*. alludes to the same. In saying the sovereigns were more appropriately nigh 21*s*. 6*d*., the new silver shilling is understood, 80.727 grains, which has got the ascendency from its levity. The shilling, of the Bank note, has depreciated from 5.65 down to 3.96, (at *5l.* 11*s.* per ounce), and is now 5.33 grains of gold, (at *4l. 2s. 6d.* per ounce), although always a shilling.

Through all these and other debates, had the parties first clearly agreed as to the shilling they meant, whether the silver shilling named by Mr. Locke, 85.935 grains of silver; or the gold shilling prevailing since 1717, being 5.65 grains of gold; and had understood that such was intended to be the standard; then the discussion might have been confined to the relative proportion of the other metal most fit, without the loss of that subordinate coin, to keep this established shilling permanently as the ascendant and standard one. Doubtless the arguments would weigh ~~most~~ much in favour of the gold shilling of 5.65 grains, after the advantageous experience of a century, during which (with the exception of the period of the usurpation of the Bank notes,) it has uniformly been the standard. This in fact has been, professedly, done: but the due relative value has not been given to the other metal to retain it in a subservient place.

In considering the argument that the

I cannot yet discover any reason why the law should not have that effect

This doubtless is a probable effect, & might require an occasional suspension of the Service of the Mint



prohibition of the legislature will prevent silver from becoming the predominant coin; let it be supposed, for a moment, that the voice of the law has effect, and that gold prevails. It must then be allowed that the market cannot, at the utmost, exceed the mint price 77*s.* 10½*d.* It, necessarily, follows that, the proportion of commerce being 15½ to 1, the market price of standard silver must decline to 5*s.* 0¾*d.* per ounce. The relative value of silver to gold cannot vary in this great mart for bullion from the market of the world. At 5*s.* 0¾*d.* it is profitable to carry silver bullion to the mint, to receive 5*s.* 2*d.* in coin; and what temptation to the coiner, whose labour, without debasement, is worth 5*s.* 6*d.* The mint might close, and cease to lend itself to defeat the law; but until both British subjects and foreigners became implicitly obedient to our legislative enactments, the currency could never have the prescribed course. But the government itself, is perhaps led inadvertently to counteract the law. Having in coining the silver, when the price at market is under 5*s.* 4½*d.* a gain from the seignorage, reckoning the mint expenses $1\frac{1}{2}d$. it never fails to use this, its only productive labour; and thus increase the silver in circulation.

It has been urged by an able writer, that the rarity of the coin would enhance its value. Were no more silver coin issued than would suffice for small change, the public must take it at the assigned price for that necessary use. The idea, however, could only exist in the mind, others would coin for us; unless, indeed, we were to exclude silver from the bullion market, from manufactures, and foreign commerce.

Insufficient quantity may avail in a coin reduced as to weight or fineness, provided such metal be the subordinate one; not by mere decree, but by the relative proportion. The encouragements to increase it are then diminished; and the necessity for it with the public by the possession of the prevalent standard metal. Suppose the proportion established (gold being the intended standard) of 16 silver to 1 gold: this proportion is fully effectual in giving the ascendency to gold, but the silver so under-rated, must disap-

[illegible] that the un-
worn coin would not be counterfei-
ted on the generical metal

Neither of these consequences [illegible]tted



pear; and no one will coin, unless the mint at the loss of the state. The silver coin becoming worn, may eventually be reduced in reality in the actual circulation, to 14 of silver to 1 of gold. This proportion would induce coining; but worn coin counterfeited, would not be successful: the public would set their faces against such a falsified currency, and be supported by holding a paramount and ample standard coinage. Such was our situation before the late undertaken reform. Suppose the case reversed, and that silver were intended to be the standard, the proportion established of 14 of silver to 1 of gold, would effectually exclude gold. But were the gold coin to become so far worn, as to make, in fact, a relative value of 16 to 1, gold would re-appear, yet not predominate. False coiners might imitate; but the people would withstand such coinage, while the silver were preserved in its integrity.

Our present mint proportions of 14.29 silver to 1 gold, by making silver the real standard, will have an evil consequence in altering the pars of the foreign exchanges. Not that the par is ever adverted to in real business; +but being the expression of that central point, to which an exchange must always tend, and from which it can never either way diverge in metallic currencies, beyond a narrow and defined limit; its uniform continuance on a certain known level, is of like service in foreign, that the standard of value, is in domestic trade and negociation.

If it be, then, manifest that our mint proportions of the two metals must make silver the actual standard coin; and that, in consequence, the market price of silver must accord with the price at the mint; such settled price of silver in the market and in coin, must raise the market price of gold, in conformity with the relative natural value of the two metals. It inevitably follows that a gold coinage upon such footing cannot be retained in circulation, and the causes for its disappearance by export or melting, are forcible and little controllable by any ordinances of law.

Under such circumstances, to exact of the Bank of England to pay in specie, if that specie must be gold, is to denounce to that establishment a certain and con-

+ This mode of reasoning is sophistical, & not of a piece with the general ability of the rest of the pamphlet stant loss, which could not fail to bring even that wealthy corporation to the extremity of distress; and entail incalculable loss on the country, in the expense of coining gold. For it has been shown, that silver being 5*s.* 6*d.* per ounce, the market price of gold must be about 84*s.* 6*d.* (15½ silver to 1 gold) per ounce; and the Bank to purchase at that price, and to issue after being coined at 77*s.* 10½*d.* must suffer a loss of near 8 per cent.; and as the drain must be unceasing, the loss would be constant and eventually fatal. Before proceeding far, no doubt a remedy would be applied. If not, the Bank would itself cease to issue notes, which it must find perpetually returning for conversion into specie; it would confine its discount of mercantile bills, or purchase of exchequer bills within the actual specie in its coffers. The gold coin thus issued would instantly disappear, or bear a premium for indispensable payments. These circumstances would, during the same period, be operating with the provincial notes, and the whole country must then return to a metallic currency; still this currency must be silver, under the present regulations.

If the market price of gold rise according to its usual proportion over silver, from 81*s.* 9*d.* (15 to 1), to 85*s.* 10*d.* (15¾ to 1), with silver at 5*s.* 6*d.* the gold coin cannot possibly remain. Every creditor for more than 40*s.* will naturally enforce the law; and guineas and sovereigns will bear a premium or aggio. If again the government enforce the other part of the law, and not allow the gold coin to pass beyond its denomination, the debtor, compelled to pay in gold, and not finding it, because not allowed to pay for it its just value, will be placed in an insuperable dilemma. But, eventually, the restriction to the denomination must be relinquished, for the creditor and debtor will be compelled to unite to evade an impracticable law.

Such, it is matter of calculation, must be the consequences of the actual mint regulations; whenever the legislature shall deprive the notes of the Bank of England of the quality of being a legal tender. The further we proceed upon the system esta-

Had no alteration taken place, gold had now, no doubt, been at, or under the mint price

Still with risk that an excess of paper may drive away the silver



blished, the greater will be the loss; a loss, which now in perceptible progress, will, when the restriction shall be removed, become in rapid operation. The true drain of the specie, is this discrepancy in our mint proportions of the two precious metals; and as long as it lasts, is a permanent and not a transitory drain as foreign loans, continental travellers, or importations of corn. No reduction of Bank notes can, now, lower gold to the mint price: with apt mint regulations, a slight reduction would attain that effect.

Under such circumstances, the present continuance of the restriction in favour of the Bank, is prudent, or rather indispensable. We may thus continue as we have done, with a forced paper currency, and a portion of silver for small change.

Whether the paper currency, by sparing the cost of a metallic circulation, be more advantageous to the community, and 'one of the greatest discoveries of modern times,' is another question. The paper currency of this country has certainly supplied a sustained and, for its nature, surprisingly steady medium, for some twenty years, to the utter exclusion of specie;

excepting the little silver necessary for small money. Yet the quality of steadiness in value is much more the merit of coin. Can this principal advantage of metallic currency be given to paper? Can contracts for time, expressed in a denomination, meaning in fact an exclusive paper currency, be in payment looked forward to by the parties as resting on a firm, intelligible, precise basis? Our late experience has thrown some light on the subject; or at least some share of confidence, and has produced advocates zealous to exclude metal. But the query to them recurs; what, if not gold nor yet silver, does the paper represent? It has not intrinsic worth, the metals are rejected, and it must be the sign of something. Were the body charged to issue the paper to inspire, at all times, implicit confidence as to conduct and solidity; were the notes not to be imitable, and therefore, fear of falsification banished; and were, above all, its total quantity limited by principles duly restraining it to the wants of circulation, then possibly the end of a steady medium might be obtained, though not one obviously intelligible in its nature. But these are un-certain grounds of dependence. The precious metals rest on the productiveness of the mines, of which experience and knowledge afford a reasonable guide for calculation; paper must owe all its value to the good faith and capacity of men. A public Company is actuated by interest; a Government by ambition and proneness to expense. One currency is controlled by nature; the other rests on the will. Our inquiry, however, has another object. If the precious metals are to be the basis of our Currency, a principle to which, after every examination, we appear obliged to return as the only secure one; the purpose here attempted is, to state the necessary laws of such Currency.

The conclusions to be drawn from the foregoing remarks may be comprehended in the following terms. If the mint proportions of silver to gold remain unaltered, the general currency and the standard of value must be the silver coin, and it becomes necessary to repeal that part of the statute of 56th of Geo. III. cap. 68, which limits legal payments in silver to sums not exceeding 40*s*. But should it be held desirable to keep the gold coin in circulation, and the present mint price of silver 5*s*. 6*d*. per ounce, be retained, the mint price of gold ought to be advanced to about 84*s*. 6*d*. per ounce; and the sovereign be allowed to pass current about 21*s*. 6*d*. and the guinea about 22*s*. 9*d*. Or, if it be deemed just to preserve to the gold coin the property of being the standard of value; then, it is incumbent immediately to retread our steps; to issue no more silver coin, probably to recal what has been issued, and to re-establish the mint price of silver at 5*s*. 2*d*. per ounce; or some other price that may be considered more exactly conformable to the actual proportions of gold and silver in commerce.

It is trusted to have been here made evident to the public; that on the adoption of one of the two latter remedies, depends the retention of the gold coin in circulation; and the saving to the country of a never ceasing loss in the mint expenses of coining that money.

THE END.

BARNARD AND FARLEY, Skinner Street, London.

Prices of Gold & Silver in the principal markets with the reduction of the several Relative proportions

| 1810 | Price of Gold | Price of Silver | Proportion of fine contents |
|---|---|---|---|
| London — July 3 | £ 4 — 1 — 6 | 5/5 | 15.10 |
| Paris — July 1 | Fr. 343.44 | 210.50 | 15.71 |
| Hambro' June 23 | Sch.bo 100 | Marc bco 27.10 | 15.40 |
| Amsterdam June 26 | Fl. 355 & 11 3/4 p. cent | 25-16-10 | 15.36 |
| Gibraltar June 13. | Sp. Dollars 1 3/4 per Ct prem. | | 16.11 |
| Jamaica June 1. | Sp. Dollars 2 1/2 per Ct prem. | | |

Compared with Doubloons 1 fine Gold to 16.40 fine Silver

In France, the gold

& Silver Coinage is in the relative value of 15.504 to 1, by the Mint regulations without allowance for remedy. — By assay 15.42 to 1.

Dr Kelly to Bullion Committee Appendix No. 59.

Therefore, as the French gold coin exchanged against the Silver Coin bears a premium fluctuating from 1/10 to 1/2 per cent; adding this to the actual or assay proportion 15.42 to 1 the circulation appears to establish 15.435 to 15.65 to 1

B°2

**TO THE GOVERNOR, DEPUTY GOVERNOR, AND DIRECTORS OF THE BANK OF ENGLAND.**

GENTLEMEN,—The questions I had the honour, in *The Times* of Thursday last, of submitting to your consideration, were framed for the purpose of obtaining those explanations, which many proprietors of Bank Stock think it your duty to demand, concerning the power which the present Mint regulations give, of legally defrauding the establishment over which you have so deservedly presided.

This, however, is not the only danger to which, in the opinion of many, our concerns would be exposed by the resumption of cash payments under the law, as it now stands, with regard to the relative state of our gold and silver coin.

To you, Gentlemen, who are so thoroughly conversant with the subject, it is needless to explain the necessity of guarding against the illegal jobber, as well as against the fair trader in money: for you well know, that if the gain to be acquired is large enough to cover an ample insurance, and to afford a great profit, the moral obligation of obedience to the laws is but a slender security.

Allow me, therefore, to suggest the propriety of adding the following questions to those I have already submitted to you. They are calculated to draw explanations on the subject of the loss which the Bank of England must sustain from the transactions of the illegal trader, if the restriction on cash payments is done away, without any previous alteration in the provisions of the 56 of Geo. III. chap. 68.

Quere 1.—If the restriction on cash payments at the Bank is done away with, will not that establishment be under the necessity of furnishing one ounce of gold, in the form of sovereigns or half sovereigns, for every sum of 3*l.* 17*s.* 10½*d.* in notes, for which gold is demanded?

Quere 2.—Has not the relative value of silver to gold in foreign markets been for a length of time as 15 and a half to 1?

Quere 3.—Is not one ounce of gold always equal to another ounce of gold; must not, therefore, the purchaser of this ounce of gold, for 3*l.* 17*s.* 10½*d.* in Bank notes, have it in his power, on carrying it into France or Holland, to purchase 15½ ounces of standard silver?

Quere 4.—As under the act 56th of Geo. III. chap. 68, an ounce of standard silver is coined into 66 pence, may not these 15½ ounces of standard silver be coined in France or Holland, into 85 shillings and three-pence, or 4*l.* 5*s.* 3*d.*, of fineness and weight in every respect equal to our shillings?

Quere 5.—If the illegal dealer, who paid 3*l.* 17*s.* 10½*d.* in Bank-notes for the ounce of gold, for which he purchased these 15 ounces and a half of standard silver, brings these shillings into this country, can he not acquire for them 4*l.* 5*s.* 3*d.* in Bank-notes?

Quere 6.—By these various operations has not the proprietor of 3*l.* 17*s.* 10½*d.* in Bank-notes, if he succeeds in exchanging his shillings in this country, acquired 4*l.* 5s. 3d. in these notes—that is, a profit of 7*s.* 4½*d.*?

Quere 7.—Is not 2*s.* 4½*d.* per ounce sufficient to cover the expenses of carriage, coinage, and insurance, incident to these operations; and will there not, therefore, remain 5*s.* an ounce profit to the illegal dealer?

Quere 8.—May not these operations be repeated 20 times in the year, and if so, is it not in the power of the illegal dealer, on a capital of 3*l.* 17*s.* 10½*d.* to secure to himself within the year a profit of 100*s.* or 5*l.*, and to defraud the Bank of 147*s.* 6*d.* or 7*l.* 7*s.* 6*d.*

I am, Gentlemen, yours,

AN OLD PROPRIETOR OF BANK STOCK.

London, July 4.

P. S. I have read in *The Times* of to-day, R.'s answer to my former queries.

His observation proceeds on the hypothesis, that it is impossible for any one to procure 4*l.* in Bank-notes, in exchange for 4*l.* of silver coin, because silver is not a legal tender for more than 40s. in this country. How any man of common sense can maintain such a proposition, I know not.

If he doubts the fact of silver being, on an average for three years, of relative value to gold as 15½ to 1, he cannot doubt that it considerably exceeds 15¼ to 1; yet he will find, on making the calculation, that even at 15¼ to 1, it affords ample opportunity of defrauding the Bank.

No 3

## *MINT REGULATIONS.*

TO THE EDITOR OF THE TIMES.

London, July 13.

SIR,—Though I really think no man, who is conversant with the subject, can imagine that the observations inserted in your paper under the signature R. on the Queries of an OLD PROPRIETOR, deserve any other answer, than that it is impossible to conceive how any man of common sense can entertain the opinions he has stated; yet, as I know that there are many who indulge in talking on these subjects, that are apt to give credit to the last thing they read; agreeing as I do with the OLD PROPRIETOR, I am unwilling that these observations of R. should remain without further comment; more particularly as, in his note to you of the 6th of July, he seems to draw an inference in favour of the rectitude of his opinions from the contempt with which they have been treated.

With this view, as R. has given it as his opinion, that the form adopted by the OLD PROPRIETOR has the advantage of bringing questions of this nature fairly and clearly before the public, allow me to submit to him, or to any of your other readers, the following queries :—

QUERE 1.—Has not R. admitted, that if by law, or otherwise, a person could obtain 4*l.* 0*s.* 1*d.* in Bank-notes for 4*l.* 0*s.* 1*d.* in silver coin, there can be no doubt the Bank must, when the restriction on cash payments is removed, be exhausted of any quantity of gold of which it may possess itself?

QUERE 2.—Has he not stated, as the sole ground for doubting whether Bank-notes can be had in exchange for silver coin, that a man is not by law obliged to accept silver in discharge of a debt above 40*s.*; that the Bank is not by law obliged to give Bank-notes for silver coin; and that bills of exchange for a larger sum than 40*s.* are not by law payable in silver coin?

QUERE 3.—Do these circumstances authorize the conclusion, that it will be impossible to get Bank-notes for silver? Is it not, on the contrary, evident that, admitting this statement to be true, as long as the proprietors of 1*l.* and 2*l.* notes wish for change, that is, as long as payments under 20*s.* are made, opportunities must occur of acquiring Bank-

QUERE 4.—Is he not aware, that notwithstanding a man is not by law obliged to accept silver in discharge of a debt above 40*s.*, that the Bank is not by law obliged to give Bank-notes for silver coin; and that bills of exchange for a larger sum than 40*s.* are not by law payable in silver coin? All the 1*l.* and 2*l.* Bank-notes issued previously to January, 1818, have been picked up by silver money, because, under the proclamation of the Bank, they were payable in gold.

QUERE 5.—Can he imagine any reason why this practice should not continue?

QUERE 6.—Has he not stated, as the sole impediment to this traffic, that, if an unusual quantity of silver was coined at the Mint, those who possessed that silver coin would be obliged to part with it at a discount—that is, they would be obliged to give more silver for a sovereign than 20*s.*?

QUERE 7.—How can this take place under the recent law regulating our coinage, which appears to him so perfect, and to reflect such credit on the Master of the Mint? Has he forgot that it is enacted, that no person shall by any means, device, shift, or contrivance, receive or pay more or less in value, benefit, profit, or advantage, than the true lawful value which such gold coin doth by its denomination import, under a penalty of six months' imprisonment for the first offence; of one year's imprisonment for the second offence; and of two years' for the third?

QUERE 8.—Is it not obvious, even if this clause of the act did not exist, that R.'s supposition that silver would get to a discount, and that this would remedy the evil, is an admission of all the doctrine maintained by the OLD PROPRIETOR?—for, surely, he cannot deny, that if silver coin was at a discount of about 8 per cent. the present shilling would be current for value about 11*d.*; and that, according to the doctrine of the OLD PROPRIETOR, it would be immaterial whether the ounce of silver was coined into 5*s.* 2*d.* of 12*d* shillings, or into 5*s.* 6*d.* of 11*d.* shillings, as, without entering into minute calculation, the market and the Mint proportions betwixt gold and silver would, in either case, be nearly assimilated.

A LOVER OF TRUTH.

## *TO THE EDITOR OF THE TIMES.*

SIR,—AN OLD BANK PROPRIETOR seems alarmed respecting the inconveniences likely to result from the comparative value of gold and silver, when the Bank pay in specie, and is of opinion that a large profit would accrue to persons exchanging Bank-notes for gold coin, and gold for silver coin. Now the fact is, that if gold be at 3*l.* 17*s.* 10½*d.*, and standard bar-silver at 5*s.* 2*d.* per oz. (both being the coinage price), not one shilling can be gained by any number of exchanges; for if 3*l.* 17*s.* 10½*d.* be invested in silver at 5*s.* 2*d.* per oz. standard, and sent to the Mint to be coined, 3*l.* 17*s.* 10½*d.* of silver coin would be received in return, leaving 4-66ths at the Mint for seignorage, and it ought to be sufficiently below 5*s.* 2*d.* per oz. to allow for the loss of interest and for the profit of the capital engaged during the coinage. The mistake under which the OLD BANK PROPRIETOR seems to labour, is taking the relative value between gold and silver in this country during a peace the same as during a war, when there were so many facilities for the exportation of gold in preference to silver: for, generally speaking, when gold has been from 3*l.* 17*s.* 6*d.* to 3*l.* 17*s.* 10½*d.*, at which prices it continued for many years, standard silver has not been lower than 5s. 2d. per oz.; but there have been a few exceptions in this relative value, and no inconvenience arose, as it was then easily corrected by an order in Council, which gave the right of sending silver to be coined to Government alone; and it was only the last Act of Parliament which removed this limitation.

The other point for which the Proprietor contends is the probability of persons in foreign countries coining our silver currency: there cannot be a doubt, in case the exchanges should not be higher than the gold par, and standard silver should be at 5s. 2d. per oz., a profit would accrue, allowing for charges, to nearly the amount of the seignorage; and this profit could be carried to a greater extent, if they mixed a larger quantity of alloy than is done at the English mint: against conduct like this there is no other remedy but our attending to the difference of the dye, and the punishment that awaits the crime.

My reply to your correspondent R., who conceives that the limitation of a legal payment beyond 40s. would be a sufficient guard against any exuberant supply of the silver coinage, even supposing a profit to result from sending silver to the Mint to be coined; let him only reflect on the many millions it would require to saturate the country with this currency in the absence of every other circulating medium, and the obstruction that would take place in the purchase of the necessary articles of life, if there were no other mode to put a stop to a superabundant coinage than by the difficulty of its circulation.

## *MINT REGULATIONS.*

TO THE EDITOR OF THE TIMES.

SIR,—I cannot persuade myself to consider the Queries contained in a letter addressed to you by a Lover of Truth, as a complete reply to all that has been stated by R. in the letters he has submitted to the public through the medium of your paper.

The Lover of Truth appears to me, indeed, to have given a most conclusive answer to that part of R.'s argument against the doctrines of the Old Proprietor of Bank Stock, which relates to the impossibility of getting 4*l.* 0*s.* 1*d.* in Bank-notes for 4*l.* 0*s.* 1*d.* in silver coin; and R. has undoubtedly admitted in his letter of the 3d of July, that if Bank-notes could be thus obtained for silver coin, the Bank would be exhausted of its gold coin, however large the quantity.

Again, R. has stated that the natural consequence of the operation by which the Old Proprietor thinks the Bank would be drained of its gold coin, would be to introduce into circulation such a quantity of silver coin, as would occasion a depreciation of that species of money, in relation to Bank-notes, if the issue of Bank paper was not increased.

The reply to this observation seems to me also to be accurate; because, as R. states this depreciation of the value of silver coin to be a remedy, it could certainly only afford relief, by lowering the denominative value of the silver coin, and thus assimilating the market and the mint values of gold and silver.

To this extent, therefore, I completely assent to the opinions expressed by the Lover of Truth; but I much doubt whether his queries present to the public a sufficiently clear view of the error into which R. has fallen, in supposing that silver coin can by its increase of quantity suffer a comparative depreciation of value, in relation to Bank paper or gold coin, whilst the law makes them equivalent, and they, in practice, remain interchangeable with one another.

Allow me then to beg, that, by inserting in your paper the following queries, you will give to your correspondent R. an opportunity of stating how, under such circumstances, a comparative depreciation of silver coin can take place.

QUERE 1.—Is not our gold and silver coin, by law, interchangeable with one another, at their denominative values? and are not those who give more or less in silver coin for a sovereign, by law severely punishable?

QUERE 2.—When the restriction on cash-payments expires, must not all description of Bank-notes be equivalent to our gold coin, into which they can be converted on demand; a sovereign being equal in value to a 1*l.* note; to the tenth part of a 10*l.* note; to the twentieth part of a 20*l.* note?

QUERE 3.—Are not things equal to one and the same thing, equal to one another?

QUERE 4.—Is it not therefore clear, that whenever the restriction ceases, Bank-notes, silver coin, and gold coin, must, under the 56th George III. chap. 68, be equivalent?

QUERE 5.—Does it not then follow, that, whilst silver and Bank-notes continue in circulation, any inordinate increase of silver coin must equally affect the value of both; though gold might naturally be released from the fetters of the Mint by the melting-pot, and assume the value assigned it in the markets of the world?

QUERE 6.—Who then can agree with R. in thinking there can be any doubt, that, whatever increase there may be in the quantity of silver coin, a given quantity of that coin will continue freely exchangeable for Bank-notes, although there should not have been any increase in the quantity of Bank-notes?

July 17. A BANKER.

## *TO THE EDITOR OF THE TIMES.*

SIR,—The appeal which your correspondent "P." makes to the experience of past years, to show the little probability of the market value of gold being in the ratio of $15\frac{1}{2}$ to 1 to that of silver, should, I think, quiet the alarms of the OLD PROPRIETOR of BANK STOCK, even if his principles be correct, of gold being drained from the coffers of the Bank on the resumption of cash-payments. At any rate, we may be quite secure at present from such a disaster, the market value of gold being as 15 to 1 to that of silver, rather under than above the Mint ratio.

In discussing the merits of the Mint regulations, however, it must be confessed, that they cannot be considered as good, if they do not make provision against every inconvenience which might result from the variations in the relative value of the precious metals.

P. appears to agree both with AN OLD PROPRIETOR, and A LOVER OF TRUTH, that, granting the fact of the value of gold being to that of silver in the ratio of $15\frac{1}{2}$ to 1, gold would be demanded at the Bank in exchange for notes, would disappear from circulation, and would be replaced by silver coin. This question is fortunately brought within a very narrow compass; for it is admitted on all sides that this view of your correspondents would be correct, if, under the supchanged for Bank-notes; and the difference between us is simply whether the law which limits the tender of silver coin to debts not exceeding 40*s.* has, or has not, provided an ample security against the apprehended danger.

To me it appears indisputable that the smaller payments, those that can be made in silver, must bear some relative proportion in value and amount to the larger payments, which are by law payable only in gold coin; or in Bank-notes, exchangeable at the will of the holder for gold coin. If the quantity of silver coin be increased beyond the amount that can be thus employed, it will sink in relative value to gold coin, unless it can be substituted for the latter in the larger payments. This it cannot be, for the law compels no man to accept it, and his interest is equally against his receiving a less valuable medium as a substitute for one more valuable. The circumstance of gold being in demand on account of its increased relative value to silver, would make it the interest of creditors to insist on the payment of their debts in the more valuable medium. Why are Bank-notes now less valuable than an equal nominal value of gold coin? Because they exist in too great abundance. Why is any inconvenience now apprehended from allowing all creditors whatever to insist on receiving payment of their debts in gold coin? Because it is known that the interest of individuals will induce them to demand in payment the more valuable, instead of the less valuable, medium; therefore gold would be demanded at the Bank in payment of notes, till by the reduction of this quantity of notes they were rendered equally valuable with gold coin, and then no motive would exist for a preference. If Bank-notes existed in precisely the same quantity as they now do, if they were issued by Government, and not by a Bank, and were not payable in specie, they would be precisely of the same value that they now are, value being regulated by quantity; but if gold coin were at the same time the only legal tender, gold would be, as it now is, at a higher value than Bank-notes, and consequently no creditor would accept of Bank-notes in payment of his debt, unless he could receive 105*l.* in Bank-notes in lieu of 100*l.* in gold coin, such being at present the relative value of Bank-notes to gold coin. Apply this reasoning to the matter in dispute. While silver coin does not exist in too great abundance, and is therefore at its Mint relative value to gold coin, it will be a matter of indifference to creditors whether they receive the payment of their debts in gold or in silver coin; but increase the quantity of silver, or, in other words, lower its value, and every one who has the right to do so will refuse to be paid in the less valuable medium. This, then is the security which the public have against an undue augmentation of silver coin, when silver becomes relatively cheap: it must either cease to be all employed, or if employed it must pass in all purchases at a less value than an equal amount of gold coin. Now your correspondents maintain, that no augmentation of the quantity of silver currency will prevent its being freely exchangeable for Bank-notes, although there is no law to compel the exchange. It would be as reasonable to say that no augmentation of Bank-notes would prevent their being freely exchangeable for gold coin, if there was no law to compel the exchange; or that a good harvest which gave us a great abundance of corn would not lower the price of corn. It is for disputing a proposition so paradoxical as this that I am accused of advancing an opinion irreconcileable with common sense. I would ask these gentlemen why on their principles copper-coin should not, when copper falls in value, be the only metallic money in circulation? Suppose that a one-pound note, or a sovereign, would purchase as much copper as could be coined into 250 pence; 10 pence profit would be made by exchanging 240 of these pence for a one-pound note, and this might be repeated 16 or 20 times in the year, till all the silver and gold coin were driven out of circulation. To me there appears a little obstacle to the continuance of these transactions: it is that copper money is not a legal tender for more than, I believe, twelve-pence; but your Correspondents, AN OLD PROPRIETOR, and A LOVER OF TRUTH, think this of no importance in the argument; the latter particularly might ask "if it was not evident, that as long as the proprietors of a *shilling* wish for change, that is, as long as payments under a shilling are made, opportunities must occur of acquiring *silver coin* and Bank-notes in exchange for copper coin." Either let this gentleman acknowledge that his hypothesis is untenable, or let him consistently maintain that the inconveniences which he dreads may equally result from the present state of the law as it regards the copper coin.

Your obedient servant,

Bath, 18th July. R.

P. S. Since writing the above, I have seen in your paper of yesterday the queries of "A Banker," and in reply have only to observe, that a law may prevent more silver being given for a sovereign than 20s., or more than a sovereign being given for 20s.; but if the quantity of silver coin could be augmented, as is supposed, (which I contend would not be, for it could be no man's interest so to increase it,) no law in the world could prevent goods from rising in the silver coin, at the same time that they remained stationary in the gold coin, and Bank notes; and this I conceive is a complete answer to A BANKER; for let it once be admitted that there may be a different price of commodities in gold and silver coin, (and I know not how it can be denied,) and all the arguments derived from its being an offence against the law to give more or less in silver coin for a sovereign fall to the ground.—Bath, July 19.

No 1

TO THE GOVERNOR, DEPUTY-GOVERNOR, AND DIRECTORS OF THE BANK OF ENGLAND.

GENTLEMEN,—As a proprietor of Bank-stock, I have, for years, felt gratitude to you, for the great care and good management of the concerns of the establishment over which you preside.

My attention, however, having lately been called, by a protest of the Earl of Lauderdale, and subsequently, by a pamphlet, entitled "An Inquiry into the State of the Currency of the Country, its Defects and Remedy,"* to the situation in which the Bank will be placed, if it is seriously intended to resume payments in cash, on the 5th of July, 1819; I feel it due to my own interest, as well as to that of my co-proprietors in Bank-stock, to state to you, that no time ought to be lost in remonstrating with his Majesty's Government, on the situation in which the Bank will be placed, by the present regulation of the Mint, if that event takes place.

For that purpose, allow me to submit that it is your duty, at as early a period as possible, to lay before his Majesty's First Lord of the Treasury the following queries, the answers to which will either, in a degree, relieve many of the proprietors from their apprehensions, or render it impossible for Parliament not to take an early opportunity of securing the Bank of England from the danger with which it is threatened by the provisions of the 56th of George III., chap. 68:—

QUERE I.

If the restriction on cash-payments at the Bank is done away, will not that establishment be under the necessity of furnishing one ounce of gold, in the form of sovereigns or half-sovereigns, for every sum of 3l. 17s. 10½d. in notes, for which gold is demanded?

QUERE II.

Has not the relative market value of silver to gold, in foreign markets, as well as on an average of every day, during the last three years, in which there has been any transaction in these two metals in the home market, been 15½ to 1?

QUERE III.

Is not one ounce of gold always equal in value to another ounce of gold? must not, therefore, the purchaser of this ounce of gold for 3l. 17s. 10½d. in Bank-notes, have it in his power to purchase 15½ ounces of standard silver?

QUERE IV.

If these 15½ ounces of standard silver are carried to the Mint, is not that establishment obliged by the 56th Geo. III. chap. 68, to give for it, silver coin, at the rate of 5s. 2d. per ounce?

QUERE V.

Does not 5s. 2d. per ounce, for 15½ ounces of standard silver, make the sum of 4l. 0s. 1d.?

QUERE VI.

Cannot any person in possession of 4l. 0s. 1d. of silver coin, acquire 4l. 0s. 1d. in Bank-notes?

QUERE VII.

By these various operations, has not the proprietor of 3l. 17s. 10½d. in Bank-notes acquired 4l. 0s. 1d. in these notes—that is, a profit of 2s. 2½d.?

QUERE VIII.

May not this operation be repeated twenty times in a year; and if so, is it not in the power of any person, on a capital of 3l. 17s. 10½d., to secure to himself, out of the funds of the Bank, a profit of 2l. 4s. 2d.?

I am, Gentlemen, yours,

AN OLD PROPRIETOR OF BANK-STOCK.

London, July 1.

* Printed by Longman and Co., 1818.

TO THE EDITOR OF THE TIMES.

SIR,—As by the Act 56 Geo. III. chap. 68, silver-coin is only a legal tender for sums not exceeding 40s., your correspondent, "AN OLD PROPRIETOR OF BANK-STOCK," need have no apprehension that on the resumption of cash-payments by the Bank, the coffers of that corporation will be drained of its gold-coin.

The queries of the "OLD PROPRIETOR" have the great merit of bringing the question in dispute fairly and clearly before us, and therefore I cannot do better than restate those queries, with my answers.

Quere 1.—If the restriction on Cash-payments at the Bank is done away, will not that establishment be under the necessity of furnishing one ounce of gold, in the form of sovereigns or half-sovereigns, for every sum of £3 17s. 10½d. in notes, for which gold is demanded?

Answer.—Yes.

Quere 2.—Has not the relative market value of silver to gold, in foreign markets, as well as on an average of every day, during the last three years, in which there has been any transaction in these two metals in the home-market, been 15½ to 1?

Answer.—I should doubt whether this were true, but I admit it.

Quere 3.—Is not one ounce of gold always equal in value to another ounce of gold? Must not, therefore, the purchaser of this ounce of gold for *3l. 17s. 10½d.* in Bank-notes, have it in his power to purchase 15½ ounces of standard silver?

Answer.—Yes.

Quere 4.—If these 15½ ounces of standard-silver are carried to the Mint, is not that establishment obliged, by the 56th Geo. III. chap. 68, to give for it silver-coin, at the rate of 5s. 2d. per ounce?

Answer.—Yes.

Quere 5.—Does not *5s. 2d.* per ounce for 15½ ounces of standard-silver, make the sum of *4l. 0s. 1d.*?

Answer.—Yes.

Quere 6.—Cannot any person in possession of *4l. 0s. 1d.* of silver-coin, acquire *4l. 0s. 1d.* in Bank-notes?

Answer.—No.

Quere 7.—By these various operations, has not the proprietor of 3l. 17s. 10½d. in bank-notes, acquired 4l. 0s. 1d. in these notes—that is, a profit of 2s. 2½d.?

Answer.—No.

Quere 8.—May not this operation be repeated 20 times in a year; and if so, is it not in the power of any person, on a capital of 3l. 17s. 10½d. to secure to himself, out of the funds of the Bank, a profit of 2l. 4s. 2d?

Answer.—No.

As the 6th quere is answered in the negative, so will the 7th and 8th be, for the answers to them depend on the affirmation or negation of the proposition contained in the 6th. If any person could by law, or otherwise, obtain 4l. 0s. 1d. in bank-notes, as often as he chose to demand it for 4l. 0s. 1d. in silver coin, while an ounce of gold were equally valuable in the market with 15½ ounces of silver, there can be no doubt that the Bank would be exhausted of its gold coin, however large the quantity they might be possessed of; but here is the fallacy of your correspondent's argument. No person is obliged to accept silver coin in discharge of a debt if it exceeds 40s.: the Bank is not obliged to give bank-notes or gold coin in exchange for silver coin: bills of exchange are not payable in any other medium but gold coin; and therefore, if because silver was relatively cheap, any unusual quantity were carried to the Mint to be coined, those who became possessed of silver coin would be under the necessity of selling it at a discount in proportion to the excess of its quantity: silver coin would be depreciated, but gold coin would not be at a premium; and as there would be no alteration in the exchange while bills were paid for in gold coin, no relative cheapness of silver would occasion the exportation of gold coin. Under the supposed circumstances, it could be no one's interest to add to the quantity of silver coin in circulation, if it would be followed by a depreciation of its value.

The laws respecting our coinage appear to me to be perfect, and to reflect great credit on the Master of the Mint. I am, Sir, your obedient servant,

London, July 3. R.

Gold Standard, 480 grains per ounce, of which pure Gold, 440

Silver Standard, 480 grains per oz. of which pure Silver, 444