THREE LETTERS

ON

THE CAUSES

OF THE PRESENT

STATE OF THE EXCHANGES,

AND

PRICE OF GOLD BULLION,

AS PRINTED IN "THE TIMES" UNDER THE SIGNATURE OF

"AN OLD MERCHANT;"

WITH

AN INTRODUCTORY ADDRESS

BY THE EARL OF LAUDERDALE.

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INTRODUCTORY ADDRESS.

IN the year 1816, and the beginning of the year 1817, it appears, from the evidence now published by the two Houses of Parliament, that the state of the Exchange betwixt this country and the other countries of Europe, was highly favourable, and that Gold Bullion was at, or under, the Mint price.

On this occasion the Directors of the Bank of England resorted to the most active means of increasing their treasure; and the state of their affairs was such as to induce them to engage to pay in Cash all Notes issued before the month of January 1817.

But since the month of March 1817, the apparent state of the Exchanges has been unfavourable, the nominal value of Gold Bullion has risen, and the Bank of England has sustained such a drain of its Gold, by payment of Notes issued before January 1817, as well as by their engagement of making fractional payments in Cash, that they thought it impossible to resume payments in Coin on the 5th of July next, as the Law required.

In this situation, the Bank in a manner solicited a Parliamentary investigation into the state of the circulation of the country, and committees of both Houses were appointed at the commencement of the present session, "to "enquire into the state of the Bank of England, with "reference to the expediency of the Resumption of Cash

" Payments, at the period now fixed by Law, and into such " other matters as are connected therewith, and to report " such information relative thereto, as may be disclosed " without injury to the public interest, with their obser- " vations."

In the execution of this duty a Report has been made by the Committee of the House of Lords, in which it is stated, that three opinions are entertained on the causes of the state of our Exchanges, and on the price of Gold Bullion.

1st.—By some it is said to be maintained, that it is at all times in the power of the Bank to exercise a complete control over the rise or fall of the Exchanges and the price of Gold; that when our circulation was in its former state of payments in specie, no payments abroad could bring the Exchanges materially below their par; but with a paper, that has no such regulator of its value, they think that the necessity of payments abroad, from whatever cause, does undoubtedly produce a considerable effect upon the Exchanges, which might, however, as they state, be always counteracted by a sufficient diminution of paper; to them of course an over issue of paper appears the chief cause of the calamity under which we suffer.

2ndly.—By others it is held that the high price of Gold, and the unfavourable state of the Exchanges are to be attributed to the great loans contracted for since the peace by foreign states; to the investments made by persons in this country in foreign securities; to the pressure which took place in the Money

market at Paris and other commercial towns on the continent and in America; and to the great importation of Corn during the last year; and these they conceive to be, if not the sole, the principal cause of our suffering.

3rdly.—By a third class it is maintained, that the proportion betwixt the Mint price of Gold and Silver, as settled by the recent change in our Mint regulations, is the sole cause of the nominal high price of Gold, they think that the real Exchange has, for the last two years, been in favour of this country; that there has been during that period no over issue of Bank Paper; that had it not been for the Mint regulations, Gold must have continued to flow into this country, as it did in 1816; that there could, therefore, have been no demand on the Bank for Coin of that Metal, for the purpose of exportation; and that the Bank could have found no difficulty in resuming payments in Cash, at the time now fixed by Parliament.

Concerning the second of these opinions, it is not here my intention to say any thing, it is a mere repetition under a different modification of the exploded doctrine all along held by the promoters of the Paper system, in exposing the absurdity of which, I have already intruded much at large on the public.

It is to demonstrate, that an over issue of Paper, the principal cause assigned in the first of these opinions, for the rise in the price of Gold Bullion, and for the unfavourable state of our Exchanges, does not now exist; and in support of the last of these opinions, that the following Letters were written, rather for the purpose of reprobating the absurd reasoning, daily to be heard, on a subject which engrossed so much of the public attention, than for establishing a doctrine, which must appear to those who have studied the details of our situation, self evident.

For whilst there at present exists no symptom, that specifically denotes an over issue of Paper, there is every appearance of what has always attended, and always must attend, a derangement of the currency produced by raising the denominative value, or what in effect is the same thing, lowering the intrinsic value of the Coin of one of the Metals.

An over issue of Paper has in all countries occasioned such a state of Exchange, as rendered it advantageous to export, and disadvantageous to import, both Gold and Silver Bullion, for when depreciated Paper is interchangeable with metallic money, it must always be advantageous for those who can possess themselves of Coin, to send it to those countries, where it acquires the superior value assigned to it as a commodity.

An over issue of Paper has also constantly been attended in all countries where it has taken place, with a rise in the value of both the Metals above the Mint price, and this must uniformly be the case, for Gold and Silver are so easily conveyed from one country to another, that their value must be always nearly equal throughout the world, and to obtain an equal value where Paper is depreciated, a greater denominative value must be given for them in that Paper.

But the Reports of Parliament disclose to us, that

neither of these circumstances have existed in this country since the commencement of the year 1816; Gold Bullion has indeed been nominally above the Mint price. It has been so without interruption from the month after our Silver Coin was thrown into circulation; from that period our Gold Coin has been sold at a premium, whilst it is proved by the Bank Directors, and Mr. Smith,* that neither the Bank of England, nor the private Bankers throughout this metropolis could prevail upon their customers to accept Gold Coin, previous to that measure taking place.

Silver Bullion, has, however, never been above the Mint price, and though it now accurately corresponds with, it has, generally speaking, for a long time been under 5*s.* 6*d.* an ounce. It has therefore, at no time been advantageous to export Silver Bullion to the continent of Europe; it has, on the contrary, uniformly flowed into this country, and the state of our Exchanges has been such as to denote that the importation of Silver Bullion, has constantly been an advantageous remittance from abroad; a state of things which Mr. Baring informs us could not exist, under an Exchange really unfavourable from the balance of payments being against us,† and which we know from experience could still less exist if our Paper was depreciated.

In reality instead of our Paper being depreciated when compared to our Coin in the estimation of foreigners, which is at all times the cause of an unfavourable Exchange arising from an over-issue of Paper—our Bank Paper is actually of higher value at Paris than our Silver

* Mr. Smith's evidence, Question 71. † Question 101.

Coin, the only metallic currency we have in circulation; for taking the Exchange at 23-80, you will there obtain for a Bank Note of £.1, 39 grains 615ths more of Silver Bullion than can be obtained for one pounds worth of our Silver Coin.

Neither have the Exchanges since the year 1816 been at any time really unfavourable to this country—that they are and have been unfavourable in the estimation of those who choose to suppose, that our Bank Paper must be equivalent in value to Gold Coin which never has existed in circulation, is most true;—but as most of the witnesses admit, that Paper must always take the value of that Metallic Currency into which it is *de facto* convertible, and our Paper has alone been interchangeable with Silver Coin, the Exchanges have uniformly been favourable to this country when judged of by that criterion.

Besides, it may with truth be asserted that the real exchange, even in Gold, has been favourable to this country, and that it has only assumed the appearance of being against us from the nature of our Mint regulations, as is apparent from the circumstance that where our Coin is unhampered by our Mint regulations, for example, at Paris, one hundred Sovereigns is worth at least £.108 10*s*. of our Silver Coin, and £.108 10*s*. of that Coin contains only 175,178 grains of pure Silver, whereas a Bill drawn at Paris on London for £.108. 10*s*. at the Exchange of 23-80 will sell for 179,476 grains of pure Silver. The Exchange therefore shows a profit on such a remittance, of 4,298 grains of Silver, and this also must be the profit which the Exchange would give on a draft for one hundred Sovereigns, unless the ingenuity of our modern speculative theorists can satisfy the Public that there is no longer any truth in the proposition, that things equal to one and the same thing are equal to one another.

On the other hand, every symptom has existed which denotes a derangement of our Currency, arising from a degradation of the real value of our Silver Coin; whether effected by a diminution of its intrinsic, or a rise of its denominative value. In such a case every country has uniformly seen the Coin, not diminished in intrinsic value, or raised in denominative value, disappear, and has as uniformly experienced an unfavourable Exchange, if the Exchange was calculated in relation to the metal which could not circulate, as is amply illustrated by reference to historical facts, in the 2nd Letter of the Old Merchant.

He indeed might have referred even to the sentiments of the late Earl of Liverpool, who is supposed to have suggested the present plan on which the Coinage has proceeded; for it is obvious that Lord Liverpool never thought of taking more than the mere expense of Coinage out of the Silver Coin; and that consistent with the opinions he has advanced, he never could have sanctioned the Mint proportions betwixt Gold and Silver being settled as 1 to 14 $\frac{100}{1000}$ at the time the Mint proportions in France, were fixed at 1 to 15½. For, after detailing his plan, he expressly states, "that the metal of those Coins, "which are intended to represent those of Gold in small "payments, should be estimated according to a fair average of what is likely to be its value in future at the "market, with due attention to every circumstance, "which is likely to influence the price of it, and to the "rate at which this metal is estimated in the Mints of "foreign countries, Coins of this description ought to be

" so made that they may truly represent, but not rival, " that Coin which is to be the Standard Coin, or ever " come into competition with it."*

It is true that in many of the instances which the Old Merchant has referred to, no Bank Paper existed; but reason shows us, that the same causes which rendered the Exchanges unfavourable, when estimated according to the metal, that from its high intrinsic value, is withdrawn from circulation, must at all times give rise to a depreciation of Paper in relation to that Coin, though it is not depreciated in relation to the Coin with which it is interchangeable, and which it must therefore be considered exclusively to represent.

It may be therefore averred, that there at present exists no proof of an over issue of Bank Paper of a nature similar to what has always attended an inordinate increase of Paper, whilst the reports of Parliament display every symptom that denotes a derangement in our Currency from a rise in the denominative value of the Coin of one of the Metals.

Besides, from the evidence, we collect what Mr. Baring admits to be an extraordinary coincidence of facts in favour of this opinion—it is indeed a chain of circumstances, which, though they had no effect on his mind, as well as others of the witnesses who seem as much wedded to the opinion, that an over issue of Paper must be the sole cause of every derangement of our Currency, as Dr. Sangrado was to the belief, that bleeding and warm water were the only specifics for every derangement of

* The Earl of Liverpool's Letter to the King, on the Coins of the Realm, p. 153.

the human frame; yet it is impossible that on due deliberation they should not operate on the public mind.

First—What is called the unfavourable state of the Exchanges, and the rise in the price of Gold Bullion, took place in the month after the Silver Coin was thrown into circulation, and the Exchanges and the price of Gold Bullion have ever since continued more or less in the same state.

Secondly—Neither the price of Gold Bullion has ever been higher, nor has the Exchange been more unfavourable than can be accounted for, on the supposition that our Silver Money had been the only metallic money in circulation, and became the standard of value which in the first of the Old Merchant's Letters it is demonstrated it was made by law.

Thirdly—In the course of the year 1818, it appears from the returns of the amount of Bank Paper in circulation, that betwixt the months of January and November of that year, the issue of the Bank of England was diminished nearly three millions; and from the Evidence as reported by the Committee, there is every reason to believe that the issues of Country Bank Paper was also curtailed.

Yet in the month of November the Exchanges were in relation to our Gold Coin more unfavourable, and the price of Gold higher than it had been in the month of January, when the circulation of Paper was so much more extensive, a variation totally inexplicable, if it is believed that the derangement of our Currency proceeds from an over issue of our Paper—whilst it must appear to those who regard the alteration of the denominative value of our Silver Coin, to be the cause of the high price of

Gold, as a circumstance naturally to be expected, from the facts which the Committee have disclosed.

Whilst the Bank continued to supply Gold to the extent of four or five hundred pounds a month, at 3*l.* 17*s.* 10½*d.*, for notes issued previous to the month of January 1817, the value of Gold in this country naturally took its station at a sum exceeding that price, such as constituted an adequate repayment for the trouble of collecting these notes, and a profit to the person so employed, without any relation to the price it would have borne when measured by our depreciated currency.

But it appears that during the months of September, October, and November 1718, the Bank, instead of paying in Guineas and Sovereigns of full weight, chose, in Exchange for the notes issued before 1817, to give Gold diminished to the value at which the law permits our Gold Coin to circulate, that is, depreciated upwards of 5 per cent, which, as the labour of collecting it could not not be less than 1½ per cent, must have brought the Gold they paid away within 2 per cent of that level which the Market of the World assigns betwixt Gold Bullion and our Silver currency.

Under these circumstances, as the same value of Gold could no longer be collected by the same quantity of labour, the price of Gold Bullion must naturally have risen, and as those who sent Bills of Exchange from abroad could no longer hope to acquire Gold at the same rate, at which the Bank had uncautiously enabled them to procure it, the Exchanges must have also become naturally more unfavourable.

Notwithstanding all these facts, the Committees of the

two Houses of Parliament have recommended a plan which can only be vindicated by assuming, that the high price of Gold Bullion, and the state of our Exchange arise from an over issue of Paper, and which must be attended with the most fatal consequences to the Bank and to the country if their speculations should prove unfounded.

That the measure recommended can alone be vindicated on this hypothesis, must be evident to those who reflect that there is not a means of justifying the attempt to force the Bank to pay in Gold Coin at diminished rates, unless it is believed, notwithstanding the experience we have had in 1818, that a reduction of the Paper will produce a contrary effect in the year 1819.

It must be obvious too, that if the Bank is induced by the authority of Parliament to diminish their issues, till they succeed in reducing the price of Gold, and in rendering the supposed unfavourable Exchange favourable; if Parliament is deceived in the speculation that there is at present an over issue of Paper, the landed as well as the mercantile interest of the country must deplorably feel the calamity which must necessarily ensue from the attempt.

The opinions stated in the Letters now republished have indeed been countenanced by neither of the Committees of Parliament; it is true too, that there are some speculative witnesses eager to adopt the plan that has been suggested, who distinctly state that in their opinions the Mint proportions betwixt our Gold and Silver Coin, will, in consequence of the checks under which it is issued, form no impediment to the resumption of payments in Cash.

Such, indeed, is the opinion of several of the witnesses, more particularly of Mr. Mushett, a person of whom I wish to speak with respect, because I believe him an excellent public officer; it is not his calculations I mean to dispute, it is the premises on which he founds them to which I cannot accede; I cannot agree with him in thinking that when the ounce of Silver is coined into 5*s.* 6*d.*, 5*s.* 2*d.* can be stated as the Mint price; I cannot with him believe that Gold Coin may not profitably be exported, unless it is Exchanged abroad for Silver Coin, and unless a profit can be acquired by the sale of the Silver so obtained when brought home to the market of this country, though even if this was the case it would at present go abroad; I cannot accede to his opinion, that the 56th of Geo. III, chap. 68, has completely neutralized the effects of our Silver Coin in expelling the Gold Coin, by restraining the legal tendure to 40*s.*, or confining the Coinage to the hands of Government, and the reasons for thinking that these checks have not had this effect, are stated at large in the third Letter of the Old Merchant.

But is Mr. Mushett and those who concur with him, more or less in opinion, the only witnesses whose evidence deserves credit; Parliament will do well minutely to examine the evidence of Mr. Page and of Mr. Fletcher: the branch of the subject to which their testimony relates, is perhaps more difficult to comprehend than any other; but if their evidence can be successfully answered, then I will venture to assert, that there is no conclusion that arithmetic affords which may not be disputed.

Neither are they the only witnesses whose evidence

ought to induce Parliament calmly to deliberate on the necessity of reconsidering the Mint regulations before they attempt to subject the Bank to payment of Gold on demand, either in the shape of Bullion or of Coin.

What is the opinion of the Bank Directors and of the Bank Broker on this subject? Does not Mr. Thornton in his examination declare, that he thinks the Mint regulations have a tendency to make Gold a preferable remittance,* and does he not inform the Committee that he cannot say with certainty whether the Bank, with safety to its establishment, can, under these regulations, resume payments in Gold; and though he appears confident they will try it, does he venture to express more than his hopes that they will succeed.†

Does not Mr. Harman too, though he wishes to be excused from entering into the subject, declare it to be his opinion, that under certain circumstances, there is little chance of retaining Gold Coin in the country, at the present standard; and does he not state that the alteration which has taken place in the standard of our Silver Coin, will probably increase the evil;‡ it is true, Mr. Harman seems to doubt, how far the state of the Exchange and the price of Gold Bullion can be attributed solely to the issue of our Silver Currency:—but he states, that if it was proved, that Gold had uniformly been exported since that period, and Silver uniformly imported, with a profit, he would maintain a contrary opinion:§ what his sentiments must be, on reading the evidence, is therefore apparent:—for

* Mr. Thornton's Evidence, Question 138.
† Ibid, Question 148.
‡ Mr. Harman's Evidence, Question 70.
§ Ibid, Question 71 and 72.

he knows, and has indeed stated, that there has been no demand for Gold but for exportation, and he will find that Mr. Page* and Mr. Fletcher† directly state, from their own knowledge, that Silver has flowed into this country: and that Mr. Goldsmid, the Bank Broker declares that it has come in from the West Indies, from France, and America, as well as from Gibraltar, and Malta.‡

Mr. Goldsmid's Evidence is further worthy of attention, for he directly states that Gold may be exported to the Continent, when bought at eighty-one shillings, to a profit which may be realized by coining it in France into Louis, and drawing for the amount, when the Exchange is at 23-80.§

It is for Parliament, with this information, and under these circumstances, to reflect, that if there are a few who think that this plan can be carried into execution, there are many who, under our present Mint regulations, conceive it impossible; and it is for the proprietors of the Bank to look forward to the destruction of their property, which must ensue if it is not attended with success. Whilst the community at large ought seriously to reflect, whether there is any necessity for an experiment, which, if it fails, will involve every class of people in this country, in unprecedented calamity.

It is not my intention here to enter at large on the plan which has been recommended by the Committees to Parliament, there is no person acquainted with the sound

* Mr. Page's Evidence, Questions 39, 40, and 41.
† Mr. Fletcher's Evidence, Questions 9 and 10.
‡ Mr. Goldsmid's Evidence, Questions 7, 8, and 9.
§ Mr. Goldsmid's Evidence, Questions 30 and 31.

principles of political economy, who does not know that the currency of a country ought to be formed by stamping a portion of one of the Metals, to denote its weight and its fineness, and allowing the other to circulate with an agio.

It is with currency as it is with every thing that concerns the trade of a country, the less of artificial regulation, the better for the community in which it circulates.

But the Committees have adopted a plan the most artificial and the most complex on which it was ever attempted to conduct the circulation of a country. Notes to the value of three or four hundred pounds, it matters not which, are, when it is brought to perfection, to be payable in Gold Bullion, at 3*l.* 17*s.* 10½*d.*; we are to have Silver Coin with a seignorage of 6½ per cent, issued, as a memorandum from the Mint informs us, to the extent the country may require for change*; we are to have of 1*l.* Notes issued by the Bank of England and Country Banks, nearly sixteen millions, inter-changeable with this Silver Coin; and those who have of Bank Notes a sum of 50*l.* or 100*l.*, which he wishes to realize in metallic Money, must either exchange them for Notes, which in detail can command Silver Coin, or otherwise he cannot realize any value for them in Coin, as Gold can alone be obtained by those who possess the sum of three or four hundred pounds; and what is the object of all this complicated conceit? We are told that it is to provide for the country a cheap circulating medium, in the words of the Report of the House of Commons, that a portion of the capital of the country will be left available for the employment of productive labour, which must

* Appendix, Lords Report, D. 10.

otherwise be sent abroad for the purchase of an unproductive and expensive instrument of Commerce.

If it appears to the Committees of Parliament that it is necessary by law to interfere to prevent any part of the property of the country, being laid out in what they are pleased to call unproductive capital,—why did they stop here? Upon what principle do they think it necessary to pass such a law, restraining the use of the metals as circulating medium, that would not lead them, for the benefit of the community, to pass a sumptuary law, prohibiting the use of Gold and Silver plate, lest individuals throughout the kingdom should be induced to expend too much of their property in a manner which, with equal truth, may be stated to be disadvantageous to the country, as converting productive into unproductive capital.

But, with all due respect, and no one feels more for many of the Members of that Committee, I must think that the operation of conveying existing capital abroad, to the extent of fifteen or sixteen millions for the purchase of Gold Bullion, is in itself impossible.

The theory proceeds on a false notion of the manner in which Gold Bullion can be acquired; the capital of this country is all employed, and how is it to be dislodged from that employment, for the purpose of being so conveyed? Can a person, who has laid out his capital in improving his estate in the course of farming, convey that improvement to an estate in France? Can a manufacturer, who has laid out his capital in warehouses, machinery, and the necessary implements for the conduct of his manufacture, transfer those to another country? Where is there to

be found in the absence of metallic circulating medium throughout the kingdom capital to any extent, which is so placed that it can be transferred?

It is not by sending abroad part of our existing capital, that Gold is to be purchased; were our Mint properly regulated in the present state of Exchanges, it would come in of itself; but if it is to be forced in, as it can alone be obtained by the sale of our produce, or our manufactures, the Bank must either carry our manufactures abroad, and sell them at such a loss as to force them on the foreign market, or otherwise they must give for Gold Bullion such an advanced price in their Bank Notes, as will enable foreign adventurers to acquire our manufactures so cheap in return for their Gold, as to empower them to force the commodities so purchased on foreign markets, and upon winding up the whole transaction, to secure a profit.

In one of these two modes, Gold can alone be acquired, and whichever means is pursued, a new portion of wealth must be created, by the exertions to which an additional demand for the productions of our industry will give rise; and of this demand I cannot consent to deprive our manufacturers, for the improbable chance of adding to the wealth the Bank has acquired by the restriction, or to flatter any visionary theorists by permitting experiments to be tried to ascertain the degree of mischief or of benefit likely to be derived from their speculative conceits, at the expense of ruin to all who are engaged in promoting the wealth and welfare of the country.

LETTERS, &c.

LETTER I.

SIR;

IT is with regret and surprise that the mercantile world have seen two months expire, without any report from either of the secret committees of the two Houses of Parliament, appointed to inquire into the state of the Bank of England, with reference to the expediency of the resumption of cash payments on the 5th of July next.

That this is a serious and general cause of regret, cannot be doubted by those who know, that there is no man largely engaged in commerce, whose fortune must not be, in a great degree, dependent upon the decision of parliament on this question; and that this delay has amongst commercial men created general surprise, can as little be doubted; for there is no man, conversant with commerce, who has looked into the laws and regulations of our Mint, and who gives credit to the principles laid down by Mr. Rice Vaughan, Mr. Locke, or Mr. Harris; who must not, on five minutes' reflection, deem it absurd to suppose, that the Bank of England can resume payments in cash, either on the 5th of July, or at any other period, without ruinous consequences; whilst they are obliged to pay all debts due by them, above 40*s*., in gold coin on demand.

The public perfectly well know, that by the Mint regulations, our silver coin is subjected to a seignorage of nearly $6\frac{1}{2}$ per cent; whilst our gold coin, destined to circulate along with it, is subjected to no seignorage whatever. But I doubt, whether the manner in which the coins of these different metals have been thrown into circulation, and the mode in which their relations to each other in point of value have been fixed by the Sovereign, in virtue of the prerogative he enjoys, are so well understood.

Allow me, therefore, to recall to the public recollection, that the silver coin was put into circulation on the 1st of March, 1817; when the proclamation then issued, simply declared, that pieces of silver of a certain given weight and fineness should pass under the denomination of crowns, half-crowns, shillings, and sixpences.

Again on the 1st of July of the same year, our gold coin was thrown into circulation; and on that occasion two proclamations were issued, the first announcing the weight and fineness of our gold coin, and stating that pieces of a given weight and fineness should be current, under the

denomination of sovereigns, or 20*s*. pieces, and half sovereigns, or 10*s*.; the second, in virtue of the prerogative of the Crown, fixing and declaring the precise value at which the gold coin should be paid or received by his Majesty's subjects, obedience to which had been previously enforced by clauses in the Act of the 56th of the King, chap. 68, which enacts that "No person "shall, by any means, device, shift, or contriv- "ance whatsoever, receive or pay for any gold "coin lawfully current within the united kingdom "of Great Britain and Ireland, any more or less "in value, benefit, profit, or advantage, than the "true lawful value which such gold coin doth or "shall by its denomination import; nor shall "utter or receive any piece or pieces of gold "coin of this realm, at any greater or higher rate "or value, nor at any less or lower rate or value, "than the same shall be current for in payment, "according to the rates and values declared and "set upon them pursuant to law; and that every "person who shall offend herein, shall be deemed "and adjudged guilty of a misdemeanor; and "being thereof convicted in due course of law, "shall suffer imprisonment for the term of six "calendar months, and shall find sureties for his "or her good behaviour for one year more, to "be computed from the end of the said six "months; and if the same person shall after- "wards be convicted of the like offence, such "person shall, for such second offence, suffer one "year's imprisonment, and find sureties for his "or her good behaviour for one year more, to be "computed from the end of the said last-mention-"ed year; and if the same person shall afterwards "offend against this act, and shall by due course "of law be convicted of any subsequent offence, "he or she shall be imprisoned for the term of "two years, for every such subsequent offence."

Under these circumstances it becomes of high importance to consider what the value is, which the Crown has thus assigned to the gold coin, as the sole value at which it could be either paid or received within these kingdoms; as it is obvious that there are two principles upon which equality of value could be given to two species of metallic currency, unequal in value, from the circumstance of 6½ per cent seignorage being taken out of the one, and the other being subjected to no seignorage at all. First, it is clear that their value in circulation might be made equal, by raising the value of that which was depreciated by seignorage, to the value of the metallic money subjected to no seignorage. Secondly, it is evident that this effect might be produced by sinking the value of that which was not depreciated by a seignorage to the value of the money made of the metal that was depreciated; and that equality of value may be produced by either of these modes, is as distinctly

true as it is that the measure of a yard in two countries, the one of which was two feet long and the other three, might be made equal, either by adding a foot to the yard two feet long, or by taking a foot from the yard three feet long.

Let us, therefore, see in what manner the Sovereign has on this occasion been advised to exercise his prerogative. The words of the proclamation are:—

"Whereas, we have thought fit to order, that "certain pieces of gold money should be coined, "which should be called sovereigns, or 20*s*. "pieces, each of which should be of the value of "20*s*. and that each piece should be of the weight "of 5 dwts. 3 gr. 2,740-10,000ths troy weight of "standard gold.

"We have therefore thought fit to issue this "proclamation, and we do hereby ordain, declare, "and command that every of such pieces shall "pass and be received as of value of 20*s*. of "lawful money of Great Britain and Ireland, "in all payments whatsoever."

It surely cannot have cost the two committees of Parliament two months' deliberation to discover that the Sovereign has not been advised on this occasion to raise the value of the depreciated silver coin to the value of the gold coin, which is not subjected to a seignorage: is it not, on the contrary, evident that the Sovereign, invested with the sole lawful power to regulate the value of his coin, has been advised to exercise that power in such a manner as to expose all his subjects to the penalty of the law, if by any shift, contrivance, or device, they pay or receive in gold coin, more or less in value, than the value of the depreciated silver coin?

How then is it possible, that under these provisions the gold coin can remain in circulation? It is true the Bank Directors, who seem to have been perfectly unconscious of the nature of the Mint regulations, have, probably from a confidence in the wisdom of the regulations of Parliament and the Executive Government, thoughtlessly subjected themselves to the necessity of paying away large sums in gold coin. It is true also, that coins of this metal were copiously drawn from their treasure by men who were aware of the profits they would derive from the acquisition; but it is just as impossible to conceive, that that coin, tied down to pass as of equal value to our silver coin, should not be exported, when it could command abroad in grains of silver a quantity $8\frac{1}{2}$ per cent greater than it could in this country, as it is to fancy that any commodity, which secured to the merchant $8\frac{1}{2}$ per cent greater profit in Paris than in London, would not immediately find its way to the former market; and that this has been the case we are now informed from authority, because the Minister of Finance in France has

stated a sum of English sovereigns to have been coined into 20 franc pieces, nearly amounting to that which the Bank has paid away.

How, then, I repeat again, is it possible to conceive, that the two committees should have sate for two months, without having discovered, that far from being able to pay in gold on demand, on the 5th of July next, the Bank never can pay in gold, without the sacrifice of the interests of the proprietors of that establishment, till these Mint regulations are altered.

For under whatever difficulties the Committees of Parliament may labour, in making up their minds on this question, we, in the city, can have no doubt of the result of a trade regulated in such a manner as to oblige the Bank to pay gold on demand, at 3*l.* 17*s.* $10\frac{1}{2}$*d.* an ounce, whilst it leaves them to purchase it in notes, which, being *de facto*, only convertible into silver coin, must partake of its value; and for which gold bullion, (as gold, in the market of Europe, is certainly worth more than 15 times the value of silver), they must, pay at least 4*l.* 2*s.* 6*d.* an ounce.*

* In truth, they would probably pay a great deal more, because, as the Mint regulations of France make gold coin of value to silver coin as $15\frac{1}{2}$ to 1, and in the course of 10 years, the agio on gold has almost uniformly been trifling, it is impossible not to believe, that the real proportional value of gold to silver in the market will be found to be nearer $15\frac{1}{2}$ to 1 than 15 to 1.

¶

The Committee of the House of Commons could not fail to recollect, that on the 3rd of May, 1811, the House placed upon its Journals a declaration, "that the right of establishing "and regulating the legal money of this king-"dom hath, at all times, been a royal prerogative "vested in the Sovereigns thereof, who have "from time to time exercised the same as they "have seen fit, in changing such legal money, *or "altering or varying the value,* and enforcing or "restraining the circulation thereof by procla-"mation, or in concurrence with the estates of "the realm by Act of Parliament."

Now it certainly appears that his Majesty in his proclamation could not have more plainly or more strongly expressed his intention of reducing the value of the gold coin to the value of the silver coin, depreciated by a seignorage; and it can hardly be alleged that parliament has neglected any means in their power of enforcing this regulation, when they have inflicted 6 months' imprisonment for the first offence; 12 months for the second; and 2 years for the third.

In this letter your readers will perceive that I have confined myself to an explanation of what naturally must have resulted from the enactments of the law, and the regulations laid down in his Majesty's proclamations; and that the consequences ascribed to them have ensued, is

well known to every merchant in the metropolis; for though we are all aware that the Bank, since the circulation of our silver coin, has issued upwards of 6,000,000*l.* of gold, no one has ever seen a guinea or a sovereign in circulation; and that they have been collected at a premium for exportation, is as notorious as the rate of exchange with Paris, or the price the public funds have borne during that period.

On a future occasion, it is my intention to explain to the public, through your excellent paper, that, even if the 56th of the King, chap. 68, had not existed, and the proclamation of the 1st of July had been otherwise worded, the consequences must have been the same, provided silver money and gold money were put in circulation, at the rate of 14, 160-1,000ths to 1—a proportion that exists neither in the Mint price nor the market price of any other country in Europe.

AN OLD MERCHANT.

April 10.

LETTER II.

SIR;

IN my last letter I endeavoured to show, that from the terms of his Majesty's proclamations fixing the relative value of gold and silver coin, it was impossible that our gold coin could remain in circulation, and, consequently, that the Bank could pay in gold coin, without a continued drain of its Cash, and that to an extent which could not fail to exhaust its funds.

In that letter my object was, to explain to the public, that a law directly ordering the export of gold coin, the moment it was issued from the Bank, could not have more effectually secured its being exported, than those proclamations which his Majesty's Government, in their wisdom, have thought proper to issue; and for this plain reason—that if there is no difference between a proclamation which "ordains, declares, "and commands that every sovereign shall pass "and be received for neither more nor less than "the value of 20*s.* of the depreciated silver "coin;" and a proclamation which "ordains, "declares, and commands that every 20*s.* of "the lawful silver coin of these kingdoms (mean-"ing the depreciated silver coin) shall be paid "and received as of the value of a sovereign, and

"that each of such shillings shall be paid and "received for neither more nor less than the "20th part of a sovereign;" then there must be an end of the power of language to convey any accurate distinction to the human mind, and it becomes a matter of indifference, whether one form of words or another is used, either in making a legal enactment, or in framing a proclamation.

In truth, by the proclamations his Majesty has been advised to issue, our silver coin is at present made the legal standard of value; for a declaration that a sovereign shall pass for neither more nor less than 20*s.* is in all fair construction of legal language, a plain reference to shillings as the standard measure of the value of that sovereign; and it cannot be denied, that if silver is thus by law constituted the standard measure of our gold standard of value, it is in fact declared to be the standard measure of value.

At present, however, I will suppose that gold has by law been declared the standard measure of value; for the object of this letter is, to redeem my pledge of proving to the public, that if these proclamations had been otherwise worded, provided his Majesty's Government had thought proper, in thorough contempt of all the proportions either of the market or the Mint values of gold and silver in any other country of Europe, to make the intrinsic value of their gold coin in proportion to the intrinsic value of their silver coin as 1 to 14, 160-1,000ths—then the same consequences must have ensued, and silver must have become, in fact, the standard measure of value.

Now it really appears to me, that to satisfy any person who understands the subject, of the truth of this proposition, no great effort of argument is necessary; because, to suppose that gold will circulate in this country, these proportions being adopted, is vainly to imagine that the mercantile world can be prevented from acquiring a profit of $8\frac{1}{2}$ per cent, by conveying a commodity from London to Paris; whereas it is well known to every man in the city, that a clear profit of one half per cent will induce all the bullion merchants in Europe to engage in conveying gold from the one metropolis to the other.

Here, too, I might rest on authority; for unless Sir Isaac Newton is mistaken in thinking that, under the ancient Mint regulations, our silver coin must inevitably have gone abroad, and that gold must as inevitably have been imported; unless Mr. Locke is conceived to have been a fool, who indulged in writing nonsense on the subject of money; and unless all Mr. Harris's doctrines concerning the necessity of Mint regulations being so framed as to make the denominative value of our gold and silver coins

correspond with their values as bullion, are ridiculous and absurd; the mere statement that a profit of $8\frac{1}{2}$ per cent will result from the exportation of gold, and that a profit of $2\frac{1}{2}$ per cent, at the present rate of exchange, will arise from the importation of silver, is conclusive against the regulations we have thought proper to adopt.

As in this letter, however, I have announced my intention of not availing myself of any inference that may be drawn from the enactments of the laws, or the frame of the proclamations, so I will wave all advantage I might derive from the authority of these great men, to whom the world has hitherto looked up as the highest authorities on the subject of money; and endeavour upon general principles to explain what must be the consequences of our present Mint regulations.

I am fully aware that the doctrines upon this subject are not capable of being conveyed with equal clearness and perspicuity as an argument upon the meaning of the words of an enactment or of a proclamation; it becomes me therefore to bespeak the attention of those of your readers who are not habitually accustomed to mercantile details, whilst I endeavour to prove by argument, and to show by reference to what has formerly taken place, that if our Government chooses to issue coins of gold and silver, of which the intrinsic values, that is, the value of the bullion contained in a pound sterling, by denomination, is evidently different from the proportions of the market-value of the metals they contain, as established in the general market of the world, they may make by law which metal they choose their standard of value; but the result will be, that the money of that metal will inevitably become the practical standard of value of which the denominative value is highest in proportion to its intrinsic value.

That is, that supposing the law to have distinctly made gold coin our standard of value, when issued in proportion to our silver coin of 1 to 14, 160-1,000ths, whilst the real proportion in the market of the world was nearly 1 to 15½; then, notwithstanding the language of the law, silver must become the effectual standard of value, and the money by which the course of exchange with other countries must be regulated.

In doing this, I will endeavour, by laying down my principles, clearly and distinctly to subject them to examination; as it is not my wish to frame a plausible argument, but to ascertain what is the truth on this question, in which the public welfare is so deeply concerned.

First, then, I must submit, as a proposition which cannot be controverted, that if the intrinsic value of our gold coin is greater than the intrinsic value of our silver coin of the same denomination, when compared with the general

market proportions of the value of those metals, it must bear a greater value in bullion, and of course in foreign countries (where all the coins of this country are only valuable in proportion to the bullion they contain), than can be acquired at home by exchanging it with the silver coin overrated by denomination: a profit is therefore to be made by exporting it; and if this profit amounts to any thing like 8½ per cent, as often as it is thrown into circulation it must disappear; and that this is the case is not only consistent with reason, but is amply confirmed by past experience of what has uniformly happened under similar circumstances.

About the middle of the last century, the Portuguese government chose to give a denominative value to their silver coin, in comparison to their gold coin, much greater than existed in the market value of these metals, by coining gold in proportion to silver, as 1 to 13, 43-75ths; whilst in our Mint in England, the country that carried on the greatest trade with Portugal, the proportion was then as 1 to 15 1-5th. Under these circumstances it is in the recollection of our merchants, that silver coin abounded in Portugal, and that the gold coin totally disappeared.

Again, at Leghorn it is known to all mercantile men, that foreign bills of exchange were by law made payable in gold coin; but the Mint regulations being at the same time so arranged, that the intrinsic value of the gold coin was to the intrinsic value of the silver coin as 1 to 14, 46-100ths; whilst by the Mint as well as by the market values in the neighbouring States, it was rated to silver as 1 to $15\frac{1}{2}$; the gold coin very soon disappeared, which involved the merchants in such distress, that at last, by common consent, it was agreed to pay bills of exchange in silver coin, with a premium of 7 per cent, as a compensation for the want of gold coin, which practice we in the city know to continue to the present time.

Though fortunately, in the history of the Mint of our own country, there has been for a length of time, till of late, no great and sudden variations in the proportion betwixt the intrinsic and denominative values of our silver and gold coins; yet at more remote periods, there are not wanting ample illustrations of the principles here laid down.

In the reign of James I, the market and the Mint value of gold to silver in most countries of Europe was as 1 to 12: by our Mint regulations it was fixed as 1 to 11; the consequences of such Mint regulations were soon experienced, and, in order to remedy the evil, the proportions were altered by that monarch from 1 to 11, to 1 to 13 1-5th—a proportion which rated gold by denomination much higher than the market value authorized.

On this subject, we have from a contemporary writer of high authority * the following details of the inconvenience attending these arrangements, which amply illustrate the principle here contended for:—

"The third respect in which our Sovereigns "may alter the value of money is in the proportion between gold and silver; silver being "in most countries to gold as 12 to 1, viz. one "pound of silver for one ounce of gold, wherein "there is more operation than most men do "imagine; for you cannot advance or enhance "the one but you abate and diminish the other, "for they balance upon this parallel: and whereas "England by continuance of 11 to 1 hath been "a great loser of gold, so now by advancing "the same, not only to 12 to 1, but to 13 1-5th "to 1, there hath followed a very great loss of "our silver, which is over-much abated, as may "appear if we do consider that the French crown "of 6*s.* was answered with 6*s.* in silver, and is "now full 7*s.* 4*d.*; and our 6*s.* in silver are the "very same; for 12 ounces of crown gold of 22 "carats, at 3*l.* 6*s.* maketh 39*l.* 12*s.*, and 108 French "crowns, the which are made out of the pound "weight of 12 ounces, at 7*s.* 4*d.*, maketh also

* "Consuetudo, vel Lex Mercatoria," page 207, by Gerard Malines, one of the Members of a Commission appointed in the reign of James I to examine into the causes of the transportation of the monies of the realm, and convenient remedies to prevent the same.

"39*l.* 12*s.* Hereupon to equalize the silver to gold "again will breed a general enhancing of things "within the realm, for the alteration of the mea- "sure of monies causeth the denomination to "follow in number, to make up the tale, which "requireth great providence. For we find that "other nations, perceiving our gold to be en- "hanced, have abated in the price of exchange "(according to which the prices of commodities "are ruled), so that the same goeth at 34*s.* 6*d.* "or 35*s.* Flemish, for our 20*s.* sterling; whereas, "before they did allow and reckon 37*s.* 6*d.* or "thereabouts, which is above our enhancing of "10 per cent, and ought to be almost 38*s.*"

But in this country we may appeal to still higher authority for the truth of this doctrine, as it is completely recognized by the Sovereign in a proclamation issued in the year 1604, of which the following is an extract:—

"The English coins of gold are not, in regard "of the silver coins, of the true proportion be- "tween gold and silver accustomed in all nations: "whereupon our Council having occasion to "enter into further consideration of the monies "of this realm, with the assistance of the officers "of the Mint, it appeareth very visibly that this "error in the proportion of the gold monies of "England to the silver, hath been a great cause "of the transportation of gold out of this realm "into foreign countries, in such quantities as of

"late years hath been used, because the said "gold monies are more worth in their true value, "than here they were allowed; to which incon- "venience, long endured, being now resolved to "give remedy, we have caused new coins both "of gold and silver to be made of several stamps, "weights, and values, but of one uniform stan- "dard and alloy, to be current within this our "kingdom of Great Britain." *

After these details, it must appear unneces- sary and superfluous to offer further illustrations to prove how completely the position here stated is confirmed by past experience. It is, however, important to observe, that history not only dis- closes to us, that giving to silver a denominative value higher in proportion to gold than the market price authorizes, and that giving to gold a higher denominative value in comparison with silver than the market price authorizes, will alter- nately banish the coins of those two metals from circulation; but shows us that both may be driven from a country by giving a higher deno- minative value even to copper, when not a tender to any great extent, than is authorized by the market proportion between the value of copper and the value of gold and silver.

This, indeed, is made evident in the most sa- tisfactory manner by what happened in Spain; for we are told by Don Diego de Saavreda, in

* Rymer's Fœdera, Vol. XVI, p. 605.

his 69th Essay, "That in the reign of Philip "III the value of the copper money, which hither- "to had its just proportion, in order to serve for "purchasing of small articles, and answered to the "higher coin, was doubled. Foreigners became "immediately sensible of the value the Mint had "given to that vile mineral, and made it a trading "commodity; importing copper money into "Spain, and carrying away gold and silver coin, "and other merchandise; so that they did more "damage than if they had set ashore all the "serpents and poisonous animals of Africa."

Here then I will conclude my illustrations of this branch of the subject, not for want of materials farther to exemplify the doctrine I maintain, but because I am convinced that, on a little reflection, none of your readers will be disposed to controvert it; for unless they can believe that merchants have renounced all desire of making inordinate gain, unless they can believe that the nature of man is somehow so much altered that the same thing will not happen which under similar circumstances has always taken place, it is impossible they should not be convinced that gold coin cannot, under our present Mint regulations, remain for a moment in circulation.

Secondly, it is submitted, that in all cases where the money of the metal underrated by denomination, and which is therefore of greater

intrinsic value, has disappeared, it follows as a necessary consequence, that even if by law it has been made the sole measure of value, its powers must cease, and it can no longer be considered as the measure of the value of commodities in internal trade; neither can it affect or regulate the course of exchange with foreign countries.

That it cannot operate as a measure of the value of commodities at home must be apparent; for to suppose that it could, would be just as absurd as to fancy that a tradesman could measure out a yard of cloth without having in his shop a yard wherewithal to measure it.

In such a case it is obvious that, whatever the law may enact, the metal in circulation must become the standard of value of those commodities it is exclusively employed to circulate. And if there exists Bank paper, which share with it the labour of circulating commodities, the value of that paper must be inferred from a reference to the value of the coin into which it can exclusively be converted; for, whatever the law may say in express words, it is in vain to suppose that paper-money can derive its value from the recollection of the value of the coin which the law itself, in the shape of Mint regulations, has banished from circulation, and in which it has, therefore, no chance of being realized.

Again, it is equally clear that the course of exchange must be regulated according to the intrinsic value of the money which remains in circulation; for, in transactions betwixt nation and nation, the par of exchange must ever be founded upon a consideration of the bullion contained in the metallic money which, *de facto*, can be acquired for a bill of exchange; and the course of exchange must regulate itself, according to circumstances, with a view to that par.

To illustrate this, let us imagine that a foreign merchant freighted his ship with goods proper for the London market, to which port he was bound; let us suppose that he himself acted as supercargo, and that, on his arrival, he bartered those goods for goods of this country, or what is the same thing, that he sold those goods for the money of this country, with which he bought such a quantity of commodities as he knew would suit, and not overstock, the market to which he was about to return: if he had not bartered or bought to the full extent of the value of the goods he imported, there must have remained a balance in his hands, which he must have received in silver coin, if that was the only metallic money in circulation: if he exported this silver money, though the law had made gold the legal measure of value, and the only legal tender above the sum of 40*s*., it is obvious that the value of what he carried away could alone depend upon the value of the bullion contained in this silver coin.

If, on the other hand, to save freight and insurance, he chose to bargain for a bill of exchange upon a banker resident in the port abroad to which he was about to return, he might indeed endeavour to purchase a bill of exchange to the amount of the denominative value in gold of the sum he possessed; but there is hardly any one who can be so absurd as to imagine, that he could have prevailed upon any merchant to give him a bill for a greater amount than the intrinsic value of the silver coin he was about to receive in exchange for it.

For no one who knows the nature of commercial transactions can imagine, that a merchant would be influenced by an argument that the denominative value of silver coin was by the laws of this country equal to a given sum of gold coin, which metal being declared the standard of value for all sums above 40*s*. he was bound to give him a bill of exchange for a sum equal to the value of the pure gold contained in that amount of gold coin, adding or subtracting the little difference arising from the course of exchange which the balance of payments might justify.

Further to illustrate this, let us suppose that a merchant of this country had embarked with goods for Bordeaux or any other market of France, and that, after selling his goods, and purchasing what he thought would on his return suit the market here, he had received a bill of exchange for the balance, and that he had afterwards sailed for some other port in France, where he wished to sell his bill of exchange, with a view to purchase other commodities; is it not obvious, that this bill of exchange, if sold at a time when Gold was no longer to be found in circulation, must have been purchased, not on a computation of what it was worth if paid in gold coin, according to the sum in denomination for which it was drawn, but according to the real value which the merchant who bought it thought he was likely to realise from it in this country?

Is it not apparent, that the person to whom the bill was offered for sale must have treated with contempt an argument stating, that though it was admitted that there was no gold coin in circulation in England, that though it was true our gold coin was purchased at a premium for exportation the moment it issued from the Bank, yet that gold being by law the measure of value, and even the only legal tender for any sum beyond the amount of 40*s.*, he ought to give him a value for it, upon the ground of what our laws and our proclamations had enacted, without any reference to the only value in metallic currency he was sure to receive, or through the medium of Bank paper to be able to command?

But I am really ashamed of occupying so much of your valuable paper, in illustrating what to me appears incontrovertible; for all I contend

for is, that you cannot measure value, or any thing else, with a measure you do not possess; and that no man, in making a bargain, will act upon the supposition that possession will be given to him of coin which it is notorious the law has made it impossible he should acquire.

Such, then, are the grounds on which, with no small degree of confidence, I venture to draw the conclusion, that in the absence from circulation of all gold coin (as is notoriously the case in this country), no mercantile man can maintain that the exchanges are unfavourable, merely because the course of exchange is under what would be the par if gold coin could *de facto* be obtained; and on which I do not hesitate to say, that the course of exchange must regulate itself in contemplation of the value of our silver coin, so long as gold coin, by the regulations of the Mint, is completely banished from circulation.

That we have experience of the truth of these propositions your readers will at once perceive, when they reflect, that the circumstance of copper being the only money coined in Ireland, of which the intrinsic value, compared with our English copper money, is as 12 to 13, has occasioned that par of exchange familiar to us all, of 108*l.* 6*s.* 8*d.*

Neither can those concerned in trade have forgotten, that in this country between the years 1757 and 1772, our silver coin being depreciated to an extent that it could not be tendered in payment, our gold coin became the money which regulated the course of exchange, and in which bullion, as well as other commodities, was valued; and this coin being at that time considerably impaired in weight, a bill of exchange on this country did not sell for the value it would have brought if paid in guineas fresh from the Mint; for during these 15 years the price of gold bullion was on an average 3*l.* 19*s.* 6*d.*, and the foreign exchanges were proportionably depressed.

But if these conclusions, thus supported by the Irish par of exchange, and by what took place in the course of the last century in this country, are correct, it must follow, that it is to the Mint regulations we ought solely to impute the high price of gold bullion, and the present state of exchange, which in reality favourable to this country, appears only unfavourable when estimated according to the par which would have existed, if gold coin had been in circulation; and it is to Parliament who has sanctioned these regulations that we must impute the incapacity of the Bank to pay in gold coin on demand; and not to the Bank Directors (into whose conduct the Committees of the two houses have been for two months inquiring), which we in the city know to have been exemplary and unexceptionable.

I must, however, acknowledge, that though I have no apprehension the doctrine here stated, concerning the necessity of assimilating the denominative value of the silver and gold coins to the market value of the metals they contain, will be disputed; yet there are many intelligent men who maintain, that we in this country have fallen upon a notable expedient of making our silver coin only a legal tender to the extent of 40*s.*, and of enabling Government to give it a fictitious value, by creating a scarcity of it; which expedient, by some means or another *hitherto unexplained*, secures that the course of exchange with other countries shall be regulated, in contemplation of receiving gold coin, even when it is impossible to find a sovereign in circulation.

To merchants, who perfectly well know that the value of bills of exchange must be regulated, without reference to the law of any country, by the value of the bullion contained in the coin they can command, the notion seems too contemptible to be seriously refuted by argument, but the importance of the subject, and the prevalence of the idea amongst those who are ignorant of mercantile transactions, must plead my apology for again intruding upon you, with a view to display how little real foundation there is for this novel and whimsical fancy.

AN OLD MERCHANT.

April 16.

LETTER III.

SIR;

IN my first letter I endeavoured to explain to the public, that either from carelessness or ignorance, the Government of this country had framed the proclamations giving currency to our gold and silver coin in such a manner as to make it impossible for our gold coin to remain in circulation; and I am quite confident there is no lawyer familiar with the state of the law and the tenor of these proclamations, who can doubt of the soundness and logical accuracy of the conclusions I ventured to submit.

In my second letter, I feel I have been equally successful in proving to your readers, that if these proclamations had been otherwise worded —if even in direct terms they had made our gold coin the sole standard of value, and the only legal tender for all sums exceeding that for which our copper coin is now a legal tender, the same consequence must have ensued, provided similar proportions had been established in the intrinsic value of those coins of gold and silver, which, by denomination, denote a pound sterling.

For I think I have made it evident, that past experience, and all respectable authority, combine with reason in establishing the proposition,

that gold when issued in this country in proportion to silver as 1 to 14 160-1,000ths, can never remain in circulation, whilst both in the Mints and the markets of the Continent, that metal enjoys a value in comparison to silver as 1 to 15½.

Neither can I doubt that I have made it impossible to deny, that whenever the Mint regulations of any country are so framed with respect to the proportionate value between the two metals as to drive the money of one of those metals out of circulation, even when that species of coin is declared the measure of value, and the sole legal tender, it must cease to operate as such, and can no longer regulate the course of exchange, unless indeed it can be maintained that it is possible to measure value, dimension, or capacity, with a measure that does not exist; or, unless the frame of men's minds is so completely altered as to dispose one man to give to another a value for what the law or the Mint regulations have made it absolutely impossible he should acquire.

I have now in this my third letter undertaken to satisfy the public of the folly of those who admit that gold coin would go abroad when constrained to circulate with silver coin inferior in value to the extent of eight and a half per cent; and that, in such a case, that metal must cease to operate either as a measure of value, or as regulating the course of exchange; but maintain that these evils will be completely guarded against and counteracted by the novel contrivance of making silver money a legal tender only to the extent of 40*s*., and of putting it in the power of the Crown to measure out the quantity of silver coin, which shall be thrown into circulation, so as to give it an artificial value by scarcity.

Neither do I intend to confine myself solely to this view of the question; for I am much mistaken if I do not succeed in convincing those of your readers, who are not wedded to opinions which, on these subjects, are often adhered to with a pertinacity proportioned to their absurdity; that, far from preventing gold coin from disappearing, the circumstance of our silver coin being limited as a legal tender to 40*s*., can only facilitate the exportation of gold coin.

Before, however, I proceed to these, the more immediate objects of this letter, I cannot pass over one ground of argument, on which many, in contempt of all past experience, have professed their conviction that gold coin will remain in circulation under the present regulations, even if the Mint was free to his Majesty's subjects to coin silver to any extent.

It is said, that from the year 1774 to the time of the Bank restriction our silver coin was a legal tender, by tale, for any sum under 25*l*.; and that, though impaired in value upwards of 25 per cent by the fraud of those through whose hands

it had passed, our gold coin remained in circulation; and from this it is inferred, that our gold coin cannot be banished from circulation by the Mint regulations having lowered our silver coin $6\frac{1}{2}$ per cent.

All your readers must recollect the confidence with which they have heard this reasoning urged. Unfortunately, however, for those who rely upon it, the facts on which it proceeds are unfounded; for betwixt the year 1774 and the year 1797 no silver coin was current, that did not circulate by sufferance, or of which a legal tender could have been made, by tale, to the smallest possible extent.

By the 9th and 10th of William III, cap 21, sec. 1st and 2nd, it is enacted, "that it shall be "lawful for any person to whom silver money "shall be tendered, any piece whereof shall be "*diminished, otherwise than by reasonable wearing*, or "that by the stamp, colour, or weight thereof, he "shall suspect to be counterfeit, to cut and deface "such piece; and if any piece so cut, &c. shall "appear to be counterfeit, the person tendering "the same shall bear the loss; but if the same "shall be of due weight and lawful money, the "person that broke or defaced the same shall "take the same at the rate it was coined for."

At the time this act passed, it is generally known, that gold coin was not a legal tender; that silver coin was, both by law and in fact, the standard of value, and the only legal tender; but, when gold coin came, in the year 1773, to be new coined, and when it was the intention of Government to protect its weight, in the manner the silver standard of value had been protected, the legislature passed the act of the 13th of Geo. III, chap. 71, in which the same provisions are enacted, in the self-same words, for the protection of the weight of the gold coin, which, in King William's time, had been resorted to for the protection of our silver coin.

Now, though I am perfectly aware that the words "diminished otherwise than by reasonable wearing," which are used in both these acts of the Legislature, are very loose and indefinite; yet I cannot help thinking, that I may with safety predicate, that our silver coin, under this enactment, never could be considered as capable of being legally tendered by tale, when by the report of the Privy Council we find that shillings were at this time diminished to the extent of from 20 to 25 per cent, and sixpences to upwards of 30 per cent.

But it is said that the enactments of this act were done away by the 14th of Geo. III, chap. 42, sec. 2, which it is argued makes silver coin, diminished to any extent, a legal tender for all sums under 25*l.* And though this opinion has prevailed almost universally, it is impossible to conceive on what ground it rests. This act was

a temporary act, which, after being renewed three several times, was allowed to expire in 1783. So that it did not even exist during 15 of the 25 years in which it is said to have had this effect. Admitting, however, that it had all along been in force, it is impossible to contend, that it made any alteration in the law with regard to our silver coin being a legal tender under the sum of 25*l.*, as must be evident on the perusal of the following clause, which is the only one that relates to the subject:—

"And be it further enacted, by the authority "aforesaid, that no tender in the payment of "money, made in the silver coin of this realm, "of any sum exceeding the sum of 25*l.*, at "any one time, shall be reputed in law, or "allowed to be, a legal tender, within Great "Britain or Ireland, for more than according to "its value by weight, after the rate of 5*s.* 2*d.* "for each ounce of silver."

To me I confess it is difficult to imagine how an argument could be framed, with a view to show that this clause can be construed into an enactment, that our silver coin, 25 per cent depreciated, should be a legal tender, by tale, for any sum under 25*l.*; and it is certain that it never did enter into the imagination of the Crown lawyers, that it could be so regarded: otherwise it is impossible to conceive that they would have sanctioned his Majesty's Proclamation of the 1st of March, 1817, requiring his Majesty's Officers of the Mint to refuse all shillings under the weight of 3 dwt. 15 gr. troy, which if the act 1774, made perpetual in 1799* could be so construed, would have authorized the officers of the Mint, in a most illegal manner, to refuse silver coin, which the law of the land had made a legal tender, and would thus have unlawfully exposed his Majesty's subjects to a great and unwarrantable loss; for though the Privy Council declared the general deficiency in the value of our shillings to have amounted to 25 per cent, this proclamation excluded all shillings from being received that were deficient more than 6 3-8ths per cent.

It thus appears that it is a thorough misconception of the law to conceive that any part of our silver coin in circulation between 1774 and 1797 could be legally tendered for the smallest sum, and it must therefore be evident, that it is impossible to draw any inference from the circumstance of our gold coin, then remaining in circulation with silver coin circulating by sufferance, which can authorize the conclusion that

* This act of 1774 was first enacted for two years, it was continued for two years more, by the 16th Geo. III, c. 54, by the 18th of Geo. III, cap. 45, it was further continued till the year 1783, when it was allowed to expire. It was afterwards revived and continued for a year by the 38th of Geo. III, c. 59, and by the 39th of Geo. III, c. 75, it was made perpetual.

our money of that metal would remain in circulation with silver coin depreciated by authority which is recognised as a legal tender to the extent of 40*s*.

This is no new doctrine; it is only repeating the opinion of every author of eminence, either at home or abroad, who has treated on the subject, among whom there is perhaps none who has more clearly pointed out the distinction than Mr. Harris, in the following passage of the section on the effects of coins being diminished by law, and what they suffer in private hands:—

"The consequences of what the coins suffer "in private hands are widely different from "those that would follow their debasement by "public authority. In the one case every man's "right is left unviolated; for he may refuse "coins unlawfully diminished if he pleases, and "he hath nobody to blame but himself if he "doth not; and, as for those coins that are be-"come light by long wear, so long as all sorts "of coins, light and heavy, continue indiscri-"minately exchanged one for the other, the "damage from the lightness of coins doth not, "as yet, fall upon individuals. But should the "coins be debased by authority, every man's "property would be invaded: all sorts of goods "would rise, at least, to the new standard, "and all the evil consequences before enu-"merated would inevitably follow."

The inference that our gold coin will remain in circulation notwithstanding the depreciation of our silver coin, has also been drawn from the circumstance of the schelling or shilling, of the Dutch being, as it is said, a legal tender to any extent, without affecting the price of bullion, or the course of exchange, though it is represented to have suffered a depreciation from wear and clipping of at least 25 per cent.

My regard for your readers must prevent me from going into detailed explanations on this unfounded assertion. I must however observe, that the schelling is a coin of value about 6*d.*, 5-8ths of our present silver currency; it is composed nearly of one half alloy, and therefore cannot be affected by wearing, in the same manner in which the value of coins alloyed in the usual manner is affected. It is a coin which never was received by the Bank of Amsterdam, though by custom current specie has long been conceived to consist of one-third in schellings, one-tenth in two stiver pieces, and the remainder in large coin, or $5\frac{1}{2}$ stiver pieces, from which it is evident that even in internal payments, schellings could be only tendered for one-third of the sum to be paid; and at the time of the existence of the Banks, the course of exchange could not have been affected by this coin, if depreciated to any extent; for bills of exchange from abroad were, by custom, drawn in Bank money; and

current specie with an agio, to make it equal to Bank money, was paid into the Bank to discharge them.

It is true, that with the abolition of the Banks this custom ceased, but at Amsterdam they still exchange in specie, with an agio to make up the value the specie ought to possess.

But the necessity of all details on this subject appears to be superseded by the following passage from Ricard, a book of the highest authority; from whence it appears, that, in Holland, schellings pass by weight, and not by tale:—

"Comme il se fait souvent à Amstérdam de grands paiemens en argent comptant, les caissiers qui en sont chargés les font, pour eviter l'embarras, en especes mises en sacs dont *le poids determine le nombre*,* chaque sac devant necessairement contenir les monnoies et les poids suivans,

* Sir James Steuart confirms the fact of money passing by weight in the following passage of his account of the Dutch money:—

"We find the Dutch, the most sagacious people in the "world, with regard to trade and money, struggling with all "the inconveniencies of an ill-regulated coinage, and an old "worn out silver currency: carrying on their reckonings *by "the help of agio; weighing their specie:* giving allowance for "light weight: buying silver with silver, and gold with gold, "as if it were impossible to bring the value of these metals to "an equation; and loading commerce with an infinity of "brokers, jews, and cashiers, without the aid of which it is "impossible in Holland either to pay or to receive consider-"able sums in material money."—*Inquiry into the Principles of Political Œconomy,* Book iii. chap. 8.

savoir:"—Here follows a list of the weights of all the different monies, amongst which is given a statement of the weight of a bag of 1,000 schellings.*

Having now got rid of these misrepresentations, which seemed to form preliminary obstacles to a just understanding of the subject, let us proceed to canvass how far it is possible to maintain, that the circumstance of our silver coin being a legal tender only to the extent of 40*s*., and the power of Government to raise the value of silver coin by scarcity, can be considered as efficient guards against the certainty, which would otherwise exist, of our gold coin disappearing under our present Mint regulations.

And here I am sure your readers will agree with me in thinking that the burthen of proof lies on the projectors of this new system, who boldly state that these are sufficient checks to prevent the evils which many of them admit would result from the regulations of our Mint, but for the protection that is thus afforded to the circulation of our gold coin.

Indeed, in our present situation, there can be no doubt that the burthen of proof ought to lie with those who maintain this position; for during the last two years our silver coin has been in circulation limited as a legal tender to the extent of 40*s*., and his Majesty having issued no pro-

* Traite general du Commerce par Sam. Ricard, tom. 2, p. 3.

clamation, the privilege of coining silver coin at the Mint, and the power of regulating the quantity to be issued, has been completely in the hands of his Majesty's Government; yet our gold coin has disappeared as soon as thrown into circulation, and that with an alacrity that could not be surpassed, even if these boasted checks had not existed.

I am aware, however, that it has been maintained that our gold coin has gone abroad, not in consequence of the high denominative value of our silver coin, but from an over issue of Bank paper.

That is, to account for gold coin not remaining in circulation, which, in all times past has been withdrawn, when placed in a similar situation with respect to our silver coin;—it is the pleasure of some speculative men to assume that there is an over issue of paper; for in all that has been written, and in all I have heard said, the only proof that such an over issue exists is, the high price of gold bullion and the state of exchanges, which I think I may now say I have shown has always been, and must of necessity be, the result of such a variation from the market proportions betwixt the value of the two metals as is established by our Mint regulations.

It is whimsical to observe, that if those who maintain this opinion are asked what is the cause of the high price of bullion, and the unfavourable state of exchange, we are told, in an arbitrary manner, that it is an over issue of paper, whilst, on the other hand, if we ask what is the proof of the existence of an over issue of paper, we are informed that it is self evident from the price of gold bullion, and the state of our exchanges.

Now, in case there should be any one of your readers, who, after having seen the numerous instances I have given in my last letter of this state of things proceeding from raising the denominative value of the coin of one of the metals, still thinks that this peremptory and groundless assumption can be vindicated, I cannot refrain from quoting the following details of what happened in consequence of the Spanish Government having resorted to similar practices, with regard to their coin:—

" Spain is under the necessity of importing " many expensive articles of manufacture, and " cannot make an adequate return in articles of " its own produce: Spain, then, is obliged to " pay the difference in specie. On the one hand, " strangers who very properly consider the gold " and silver of Spain as merchandise in which " they must speculate, prefer sometimes gold " and sometimes silver, in proportion as they " can make the largest profit by them. When " gold has been preferred, it disappears from " Spain, and the Government have had recourse " to the measure of raising the denominative

" value of coin of that metal, and they have " done the same with silver when they have " found that it was preferred; this last case " took place in 1772. Spain perceiving that " foreigners preferred silver to gold, made an " arrangement that reduced the intrinsic value " of their silver coin 2 per cent; on the other " hand, in 1779, the Spanish Government per- " ceiving that almost all the gold went abroad, " raised the denominative value of their gold " coin $6\frac{1}{2}$ per cent. What happened after " adopting these two measures? The exchange " between Holland and Spain, which in 1772 " was at 96-8, fell immediately after the altera- " tion in the state of the silver money to 93-8; " and in 1779 the fall in the exchange was still " more sudden: in July it was between 93 and " 95; and in September, the same year, it fell " to 88-8."*

But the unreasonableness of the arbitrary assumption, that there is at present an over issue of paper may be inferred, not merely from what has formerly passed. There are in truth, in this particular case, circumstances which make it in itself absurd.

In the first place, we have had in our time sufficient experience of the consequences of an over issue of Bank paper, to know that it can

* Translated from the Introduction of the 2nd volume of Ricard.

never exist without raising the value of silver bullion above the Mint price, in the same proportion as it raises the value of gold bullion above the Mint price; and in the annals of the commercial world, it may with truth be affirmed, that there is no instance of gold bullion rising above the Mint price from that cause, in which silver bullion was not also raised above the Mint price; and none which gave rise to a state of exchanges, that made it advantageous to export gold, and advantageous to import silver, which is our case at present, and which has in all countries been the constant result of raising the denominative value of silver coin.

In the second place, though hitherto we know nothing of the facts, the Committees of the two houses may disclose in their long expected reports, yet the public have before them the amount of Bank of England notes in circulation, the price of bullion, and the state of exchanges for the last three years; and it certainly appears that stronger evidence cannot be adduced in support of any proposition, than the proofs these documents afford, to authorise the inference, that since the beginning of 1816, Bank paper has had no effect either on the price of gold bullion or on the course of exchange; and that it is the issue of our silver coin which has alone given rise to the unfavourable variations we have experienced on these heads.

If your readers will look into these accounts they will find that in the month of January, 1818, the amount of Bank paper in circulation was, on an average, 29,174,872*l.*; that in November of the same year the circulation of the Bank amounted, on an average to 26,141,062*l.*; yet at a former period the price of gold bullion was at 80*s.* 6*d.* the ounce, the exchange with Paris 24. 40: and in the latter, notwithstanding a diminution of Bank-notes to the extent of nearly 3,000,000, gold bullion was at 83*s.* an ounce, and the exchange with Paris 23. 65.

They will also perceive, that in October, 1816, there was, on an average, 26,587,850*l.* of Bank-notes in circulation, when gold bullion was at or under the Mint price, and the exchanges with Paris at 26; though this is a larger sum of notes than what was in circulation in November, 1818, when the exchanges were more unfavourable, and the price of bullion higher, than at any time since the beginning of the year 1816.

On the other hand, if they look at these accounts they cannot fail to be struck with the singular circumstance—that in the very month after the silver coin was thrown into circulation gold bullion rose in value, and the exchanges became unfavourable; which state of things has continued ever since, though gold bullion has never risen higher, or the exchanges become more unfavourable, than must have been the result if silver coin had been the sole medium of circulation.

Besides, there are transactions now going on in the city of London, with which all merchants are acquainted who attend to business of this nature. Immense sums of silver coin, of pieces of 5 francs, are imported from France; in part payment of which, any small sums of gold bullion that can be collected in a market in which the Mint regulations have made it impossible there should exist any demand for gold, is sent abroad at the rate of 1 in gold to 14 3-4ths in silver: a transaction which never could have existed, had our ancient Mint regulations subsisted, which put it in the power of any man to get for gold 15 1-5th in silver, and which could still less have existed if the French Mint proportions had been adopted of 1 to 15½, as that would have empowered the seller of gold to obtain 4 5-6ths per cent more in silver, than he is now acquiring by exporting gold in exchange for silver, at the rate of 1 for 14 3-4ths.

Having thus, I trust, in a satisfactory manner explained that there are other and more probable causes than the unauthorized supposition of an over issue of paper, which may be assigned for what has taken place with respect to the price of bullion and the state of the exchanges, during the existence of those checks which are

stated to be a sufficient guard against the admitted evils of our Mint regulations, there can no longer exist a doubt, that the burden of proving that the circulation of our gold coin will be protected by such contrivances lies upon those who proposed them; it is, however, my intention to take it upon myself, and distinctly to state my reasons for thinking—First, That silver being a legal tender to the extent of only 40*s*., cannot, under our present Mint regulations, prevent our gold coin being exported. Secondly, That Government by creating a scarcity of silver coin cannot effect that object. Thirdly, That it cannot be affected by these two checks united, and Lastly, That instead of operating as a preventive, these measures give a facility to the exportation of gold coin, which could not otherwise exist.

First, then, with regard to the effect of the provision made in the 12th section of the 56th of Geo. III, chap. 68, that no tender of money in silver coin, above 40*s*., shall be considered as a legal tender. This enactment, though it says neither more nor less than that any creditor may refuse from his debtor silver coin in payment of a debt of more than 40*s*., has been generally considered as a provision that a larger sum than 40*s*. of our gold coin should not be exchanged with the silver coin of these realms; and upon this false view of the nature of the regulation, by some confusion in the understanding of those who maintain its salutary effects, is founded an argument that it is impossible to change silver coin into gold coin; and that therefore when the Bank is open for the payment of gold coin on demand, no person will be able to procure gold to export.

It must be evident, however, that as payment of a debt in silver is not a mode in which either a debtor or a creditor can get possession of gold coin in exchange for silver coin, so, limiting the extent to which a debt may be paid in silver coin can throw no impediment in the way of getting possession of our gold coin, and therefore cannot impede its export.

It is equally obvious that, to get possession of gold coin, it is quite unnecessary to exchange silver into gold, and that, even if the law directly prohibited the exchange of more than 40*s.* of silver coin at a time into gold coin, it would have had as little effect in impeding the exportation of gold coin.

If the Bank was open to pay in gold coin on demand, any man who received his rents or his dividends, any man who had a bond payable, or a bill due, must have it in his power to acquire gold coin, or Bank-notes, for which he could get gold, and being in possession of the coin of that metal, if he wished himself to purchase goods in France, to pay a debt in France, or to

acquire stock in the French funds, he would naturally consider, whether by investing it in hardware, in cotton goods, or in any other of our manufactures, he could secure, by the exportation of those goods, a greater profit than $8\frac{1}{2}$ per cent; and if he could not, it is quite evident he would export our gold coin, as by that means he would get $8\frac{1}{2}$ per cent by exchanging it into the silver coin of France, preparatory to his embarking his capital in any of these various objects; and if he did not wish to adventure in any of these modes, he would sell the gold coin for a premium to those who would find it an advantageous remittance, after paying such premium.

Again, without the intervention of any British subject—nay, if they were all to abstain from exporting either guineas or sovereigns, the coffers of the Bank, under such circumstances, could not fail to be drained; for there is no foreign merchant who imported corn, wine, or naval stores, that would not naturally consider whether, by exporting our manufactures, he could clear a greater profit than $8\frac{1}{2}$ per cent; and if he could not, gold coin would be what he would naturally carry back.

What must be the result of such an arrangement is plain to every mercantile man who knows all the obstacles and impediments in the way of the sale of our goods on the continent.

All merchants must be well aware how seldom it would happen that a foreigner could flatter himself, with making a remittance in our manufactures, which could leave him a greater profit than $8\frac{1}{2}$ per cent. And it is for the Bank, on the one hand, to reflect on the constant drain which must be thus created; and for the manufacturers of this country on the other hand, to consider the total extinction of demand for their goods, which must take place whilst the Bank is thus taxed to afford a more favourable means of remittance to foreigners.

Secondly, let us consider what protection is afforded against the exportation of our gold coin, by Government making a scarcity of silver coin; and what must be the consequence of this measure.

Those who boast of the effects of this scarcity, of our silver coin, which it is supposed Government will create, in order to secure the circulation of our gold coin, talk so vaguely that it is difficult accurately to conjecture what they mean; but, if it is intended so to proportion the supply of silver coin to the demand for it as to give it a fictitious value equal to the gold coin, then it is projected by this device, to make such a scarcity of silver money as will raise silver coin $8\frac{1}{2}$ per cent above its intrinsic value.

How this, when accomplished, is to effect their object, it is impossible to perceive; for, whatever may be the fictitious value given to silver coin in this country, it cannot make silver go abroad as a profitable remittance. Gold coin, as often as there is a desire to remit, either from the balance of trade being against us, or from any other circumstances, must be preferred for exportation, because the same ground of preference will in reality exist that did exist before the silver coin had acquired this fictitious value by scarcity.

But let us for a moment reflect what the nature of this operation is. In theory, indeed, it is perfectly true, that, by making the supply inadequate to the demand, you can enhance the value of any thing. Is it, however, in practice to be endured, that in this mercantile country, the Mint regulations should be so constructed as to render it necessary to have a deficiency of that species of coin, in which the wages of labour must be paid; an abundance of which is, of all others, the most necessary, because it is the coin generally used by those who have the least credit, and who cannot therefore run up bills till they amount to a sum which may be conveniently discharged by a draft on a banker, or by other means to which the rich only can have recourse.

Besides, if such a scarcity of silver coin as is held to be necessary for protecting our gold coin from exportation under these Mint regulations could be effected, it would be of all other means of securing our Gold Coin the most profligate. If the late Earl of Liverpool was now alive, he would no doubt tell his sovereign, "that his "sailors and his artificers must suffer from "such a scarcity of silver coin; that the la-"bourers in every part of the country, and the "manufacturers in the great and populous towns "of the kingdom, and all his good people in every "part of it, particularly the inferior classes, "would suffer in the extreme from such a defi-ciency;" and he could not fail to submit to him the moral consideration that "the lower ranks "are occasionally led into excesses from the "want of a sufficient quantity of coins of the "smaller denominations; for when they receive "their weekly wages, they are frequently com-"pelled by their employers to attend for pay-"ment at alehouses and places of that descrip-"tion, where coins, or a low sort of paper cur-"rency sometimes called silver notes, are pro-"vided for that purpose; and the poor are "thereby too frequently tempted to spend, in "the purchase of liquors, a part of what they "have gained by their industry, which ought to "have been reserved for the sober maintenance "of themselves and families."*

* Earl of Liverpool's Letter to the King, on the Coins of the Realm, page 194.

Fortunately, however, it is vain to imagine that this could be effected. Before such a fictitious value could be given to the silver coin, it would afford such a premium to the foreign as well as the domestic coiner, as could not fail to inundate us with silver coin of weight and fineness equal to our coin: and it is to be recollected, that under the law, as it now stands, importation of such coin is sanctioned.

But if neither of these checks could operate to prevent the exportation of our gold coin, when taken separately, how is it possible, when united, they can produce that effect?

The advantage of uniting them in argument is indeed apparent: it is always advantageous for any one who feels himself pressed to establish what he wishes to prove, to have it in his power to shift from one point to another, in proportion as he feels conscious of a deficiency in the grounds on which he relies; and this subject has of late been too generally discussed for your readers not to recollect the address with which they have heard the adherents of this blundering system alternately throw out hints about the silver coin of England having formerly circulated in a state of depreciation along with our gold coin; about the small coin, in some countries on the Conti-nent, circulating along with gold coin, without affecting the exchanges; on the dexterous contrivance of making silver only a legal tender to the amount of 40*s.*; and on the salutary effect of government having it in its power to create a scarcity of silver coin; and all this, without ever explaining, in a distinct and intelligible manner, how these checks and illustrations can satisfy the mind of any reasonable man, that, contrary to all past experience, and all respectable authority, our silver and our gold coin could circulate together, under the proportions with regard to their intrinsic value which the Mint regulations have assigned them.

It now only remains for me shortly to state the grounds of my decided opinion, that if the Bank resumed payments in cash, these checks, intended for the preservation of our gold coin, would powerfully contribute to make the exportation of it a more easy and simple process; and after the length to which this letter has gone, I am happy to think, that it will not be necessary to occupy much of your reader's time on this part of the subject; for it must be evident to all of them, that if our silver coin was abundant, and was a legal tender to any extent, the Bank would have the means of defending itself, the moment it experienced a run on its treasure to acquire gold coin, with a view to exportation; and the Directors well know gold has never been demanded for any other purpose. No one can fail

to perceive that the Bank would in that case have it in its power to secure itself against such a run, by making its payments in silver coin, of which the manufacturers throughout the kingdom would at once experience the advantage; because, when there existed no gold coin to export, which secured to the importers of foreign commodities a return from this country with a profit of $8\frac{1}{2}$ per cent, the foreign importer would be driven to make his returns by the purchase of the goods and commodities of our manufacture.

Thus it appears, that it is these checks, by means of which it is argued that our gold will be kept in circulation, which must be the very means of augmenting the evil; making it at once more easy for foreigners to pillage the Bank, and to abstain from those purchases of our manufactures, which must otherwise take place, to the great benefit of the country at large.

Here then, for the present, my correspondence naturally terminates; for I think I have shown, in a manner that leaves no room for doubt, not only that the evils of which we at present complain must have resulted from the tenor of the proclamations,—but that they are the natural consequences of our government having foolishly adopted an arrangement of the proportions betwixt the intrinsic value of our gold and silver coin, widely different from that which exists either in the mints or markets of other countries;—and lastly, that the checks on which they found their belief that the evils they have thus created will be palliated, can only augment our sufferings from the absurd system we have adopted.

AN OLD MERCHANT.

April 26, 1819.

THE END.

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