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FIRST AND SECOND

REPORTS

FROM THE

SECRET COMMITTEE

ON

The Expediency of The Bank resuming
Cash Payments.

[COMMUNICATED BY THE COMMONS TO THE LORDS.]

Ordered to be printed 12th May 1819.

FIRST REPORT.

THE COMMITTEE OF SECRECY appointed to consider of the State of the Bank of *England*, with reference to the Expediency of the Resumption of Cash Payments at the period fixed by law, and into such other matters as are connected therewith; and to report to The House such information relative thereto, as may be disclosed without injury to the Public interests, with their Observations thereupon,—

ARE engaged in deliberating upon their Report; which they hope to be able to present to the House on an early day after the approaching recess.

The Committee having a confident expectation that, in that Report, they shall be enabled to fix a period, and recommend a plan, for the final removal of the present Restriction on the Bank, think it their duty to submit to The House that the execution of any such plan would, in their opinion, be materially obstructed and delayed by a continuance of the drain upon the Treasury of the Bank, on account of the engagement of the Bank to pay in Cash all its Notes outstanding, of an earlier date than January 1st, 1817, and on account of the payment in Cash of fractional sums under £5.

That the Committee therefore think it their duty to suggest to the House, the expediency of passing forthwith a Bill, restraining all such payments in Gold Coin, until the Report of the Committee shall have been received, and considered by The House, and a legislative measure passed thereupon.

5 April 1819.

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|---------------|-----------|-------|
| FIRST REPORT | - - - - - | p. 3. |
| SECOND REPORT | - - - - - | p. 5. |

SECOND REPORT.

THE COMMITTEE OF SECRECY appointed to consider of the State of The Bank of *England*, with reference to the Expediency of the Resumption of Cash Payments at the period fixed by law, and into such other matters as are connected therewith; and to report to The House such information relative thereto, as may be disclosed without injury to the Public interests, with their Observations thereupon;—HAVE further considered the matters to them referred, and have agreed upon the following REPORT:

YOUR Committee will preface the observations they have to make upon the matters immediately referred to them by the House, by a brief recapitulation of the laws which imposed and have continued the Restriction upon payments in Cash by the Bank of England.

It is not necessary to advert to the circumstances under which that Restriction was originally imposed by Order in Council in the year 1797, as they became the subject of parliamentary inquiry previously to the passing of the Act, by which the Restriction was confirmed and continued. Its duration was limited by the first Act, which received the Royal Assent on the 3d May 1797, to the 24th June following. From that period it was continued until one month after the commencement of the succeeding Session; and again, by the first Act of that session, until one month after the conclusion of the War, by a Definitive Treaty of Peace.

In 1802, the provisions of the Acts above referred to were continued in operation until the 1st March of the following year; they were further continued until six weeks after the commencement of the then next session of Parliament, before which period war having again broken out, they were continued until six months after the ratification of a Definitive Treaty of Peace.

An Act which passed in the year 1814, continued the Restriction until the 25th March of the following year, when, by an Act which recited in the preamble, "that it was highly desirable, that the Bank of England should as soon as possible return to the payment of its Notes in Cash," the further suspension of cash payments was directed until the 5th July 1816.

In 1816 it was again continued till the 5th July 1818, the preamble of the Act reciting, "that it is highly desirable that the Bank of England should, as soon as possible, return to the payment of its notes in cash, but it is expedient that the provisions of the Acts imposing the restriction shall be further continued, in order to afford time to the Directors of the Bank to make such preparations as to their discretion and experience may appear most expedient for enabling them to resume payments in cash without public inconvenience, and at the earliest period, and that a time should be fixed at which the said restriction shall cease."

The Act which passed in the last session, after reciting that it is highly desirable that the Bank of England should as soon as possible return to the payment of its notes in cash, and that "unforeseen circumstances which have occurred since the passing of the last Act continuing the restriction, have rendered it expedient that the Restriction should be further continued, and that another period should be fixed for the termination thereof," directed that the Suspension should remain in force another year.

0511

6 SECOND REPORT FROM SECRET COMMITTEE ON

The Restriction therefore at present stands limited to the 5th July next; and in fulfilment of the duty imposed upon them by the House, Your Committee will proceed, in the first instance, to report the result of their inquiries into the State of the Bank of England, and their opinion with respect to the Expediency of the Resumption of payments in specie, at the period at which by law they are to be resumed.

I.

Your Committee called for an Account of the total Amount of outstanding Demands on the Bank of England, and of the Funds in the possession of the Bank for the discharge of those demands; and have ascertained that the sum which the Bank were liable to be called on to pay in fulfilment of their engagements, amounted on the 30th January last to £33,894,580, and that the Bank were then in possession of Government securities and other credits to the amount of £39,096,900, leaving a surplus in favour of the Bank of England of £5,202,320; exclusive of the permanent debt due from Government to the Bank of £14,686,800, repayable on the expiration of the charter.

This document furnishes a clear and decisive proof of the flourishing condition of the affairs of the Bank of England, and justifies that ample confidence which the public have reposed in the stability of their resources.

The next point upon which the Committee required information, respects the amount of Cash and Bullion in the coffers of the Bank, at the present and at various other periods since the year 1797.

After several fluctuations in the Amount of their Treasure, which was very much reduced at the close of the war, there appears to have been a gradual increase from the month of July 1815, to the month of October in the year 1817. During the interval between July 1816 and July 1817, the market price of Gold did not exceed £3 19s. per oz. The Exchanges with the Continent, for a very considerable portion of that period, were in favour of this Country; and the Bank took advantage of those circumstances, and made a great addition to the amount of the precious metals in their possession. The purchases made by the Bank appear to have had no unfavourable effect on the price of Gold; and there is reason to believe, that it would have fallen to the mint price, had not the Bank fixed the rate, at which they were willing to purchase, at £3 18s. 6d. per oz. Mr. Goldsmid informed the Committee, that "at that period there were no other buyers in the market, at the price which " was given by the Bank; had there been, they would have been supplied on " the same terms, if they had wanted Gold." Being asked, whether, if the Bank had not been purchasers at £3 18s. 6d. he believes the price of Gold would have fallen to the mint price; he answers, "I think it might after some " time; but that is matter of opinion only."

page 207.

In the year 1817 the Bank had a much larger amount of Cash and Bullion in their coffers, than they had been in possession of at any former period since their establishment. From the commencement of the year 1818 the stock has been progressively diminished. This diminution has taken place in consequence of engagements into which the Bank entered (in conformity with the power reserved to them by the original Restriction Act) in the months of November 1816, and April and September of the following year, to pay in the first and second instance cash for all notes issued prior to the 1st January 1812 and 1st January 1816; and in the latter, to pay cash for their notes of every denomination dated prior to the 1st January 1817.

The total quantity of Gold coin issued from the Bank, in consequence of the engagements thus entered into, and the continuance of the fractional payments, under five pounds, appears by accounts before the House, to have amounted, between the 1st January 1817 and the 1st January 1819, to the sum of £1,596,256 in guineas and half guineas, and in sovereigns and half sovereigns to £4,459,725. Your Committee have ascertained, that subsequently to the 1st January there has been a further demand on the Bank for Gold to the extent of about £700,000. The total sum, therefore, which has been issued by the Bank since the commencement of the year 1817, has been about £6,756,000: And no doubt can be enter- tained

EXPEDIENCY OF BANK RESUMING CASH PAYMENTS. 7

tained that the Coin thus drawn from the Bank was demanded, not for the purposes of internal circulation, but in order to realize a profit either on its sale as Bullion in this Country, or on its exportation.

Your Committee are confirmed in this conclusion, by the documents before the House; from which it appears, that the sum issued from the 9th December 1816, (when the notes of the Bank became payable under the notice issued in the preceding month), to July 1817, amounted only to £38,020 10s. though the Bank had become liable on the 2d of May of the latter year to pay cash for all their notes of £1 and £2 value, dated prior to the 1st of January 1816.

In July 1817 the Foreign exchanges became unfavourable, and have continued so since that period; a profit has been realized on the exportation of Gold coin, and the Bank has been subject to a constant demand for cash in payment of their Notes.

The following extract from the evidence given by Mr. Alexander Baring shows the purposes to which a considerable portion of the Gold thus withdrawn from the coffers of the Bank has been applied:—"In France it appears, by " the Report of the Minister of Finance, that there has been carried to the mint " of France, in the sixteen months preceding the 31st December last, Gold to " the amount of 125 millions of francs, (being equal to about 5 millions ster- " ling;) and Silver to the amount of a little more than three millions of francs. " Of that Gold, upwards of three-fourths were in Coin from this Country; " and this operation has continued during the present year, though the amount " of the importations of this year has not been reported."

page 182.

Your Committee are satisfied that the Bank, in undertaking to pay their Notes in cash, under the circumstances above mentioned, acted from the best motives, and from a belief that the measure would tend to facilitate the complete re- sumption of payments in specie. Unfortunately it has had a contrary effect; the last of the three notices having been given at a period when the exchanges were unfavourable, when the price of Gold had risen from £3 18s. 6d. to £4 per oz.; and at a time when the Bank had not (according to the evidence given by Mr. Harman), that control over their issues, which might have enabled them to counteract the effect of the unfavourable exchange, by a reduction of their paper currency.

There was, in fact, in the half year between July and December 1817, a considerable increase in the amount of notes issued by the Bank. The average amount outstanding, in the four half years preceding, had not exceeded £26,771,914. In this half year it was increased to £29,210,035, having been in the previous half year £27,339,768. It appears by the returns, that on the 5th July 1817, immediately preceding the payments of the dividends, the amount outstanding was £25,800,000; and on the 4th October, being a few days before the payment of the dividends of that quarter, the amount was £28,900,000.

The issue of Sovereigns between July and December 1817, amounted to £1,240,422, so that had the sovereigns remained in circulation, there would have been an increase to the circulating medium issued by the Bank of England in the course of that half year, compared with the average amount outstanding in the four half years preceding, to the extent of £3,678,543.

Your Committee cannot avoid expressing an opinion, that whatever might be the policy, and however laudable the intentions of the Bank, in engaging to make partial issues of coin in payment of their notes, yet when the exchanges became unfavourable, and the price of gold rose above the mint price, the only mode by which they could have retained the coin in circulation would have been a contraction of their issues; and unless the Bank at that period possessed such a control over the amount of those issues, as would have enabled them to effect that object, your Committee must consider it to have been inexpedient, in the then state of the Exchanges, to undertake an extensive though partial issue of Coin, which subjected the Bank to considerable loss, and a great drain of treasure.

Under these impressions, and from a firm conviction that the continued issue of Coin from the Bank, by diminishing the amount of their treasure, would have the effect

effect of postponing the period at which the termination of the Restriction can take place, without producing on the other hand any advantage whatever to the Country, while the Exchanges and the price of Gold are in their present state, Your Committee were induced to recommend to the House, in their First Report, the immediate enactment of a law to suspend all payments in Gold coin by the Bank, until Your Committee might be enabled to present to the House their view of the whole subject which has been referred to their consideration.

THE next important point to which the Committee will call the attention of the House, is the Amount of the Issues of the Bank of England, which are outstanding upon Government securities; or, in other words, the amount of the debt due by the Public to the Bank of England.

The necessity of the repayment of a large portion of that debt has been so earnestly insisted on by the Bank, and the nature and extent of the connexion between the Government and the Bank involves so many important considerations, that Your Committee deem it incumbent upon them to enter into some detail with respect to the origin and gradual increase of the Advances made by the Bank on behalf of the Public, and the effect which they have, when carried to the amount at which they at present stand, of depriving the Bank of that control over their issues of notes, the possession of which is deemed by them an essential preliminary to the resumption of cash payments.

page 261.

In the Appendix to the Report will be found an Account of the amount of Advances made by the Bank of England to Government on Exchequer Bills and other securities, from the year 1792 to the latest period to which it can be made up.

The first item of this Account, entitled, An Advance out of sums issued for the payment of Dividends, now amounting to the sum of £1,098,820, ought not, in the opinion of your Committee, to be considered as any portion of the debt due by the Government to the Bank. It arises from money originally lodged by Government at the Bank for payment of dividends to public creditors, which not having been claimed, has been withdrawn from the Bank, and applied to the public service, under the provisions of acts of the legislature passed in the years 1791, 1808, and 1816. It is not therefore an advance from the funds of the Bank, but is the property of the public creditors, which has been made available for public purposes, until demanded by them.

It will be seen from the Account, that a great proportion of the Advances of the Bank are at present made under the two heads of "Exchequer Bills issued," and "Exchequer Bills purchased;" and before the Committee point out the distinction between those heads of the account, they will shortly advert to the laws which have been passed since the institution of the Bank for the regulation of their advances to Government.

On the original establishment of the Bank, by the 5th and 6th William and Mary, a penalty is imposed upon the Directors, if they purchase, on account of the corporation, any Crown Lands, or if they advance to His Majesty any sum of money, by way of loan or anticipation on any branch of the public Revenue, other than on such funds only on which a credit of loan is or shall be granted by Parliament. Such credits have ever since been granted from time to time, and advances made upon them. The amount annually, from the year 1777 to the year 1792, extracted from the documents published in the Report of the Committee of Secrecy of 1797, will be found in the Appendix.

In the year 1793 an Act was passed, protecting the Governor and Company of the Bank of England from any penalty, on account of their having advanced, or advancing in future, any sums of money in payment of bills of Exchange accepted by the Lords of the Treasury, and made payable at the Bank, but not charged on any branch of the Revenue. The motives for passing this Act are fully detailed in the evidence given by Mr. Bosanquet, then a Director of the Bank, to the Committee of Secrecy in the year 1797. He states, "that it had been the custom of the Bank, time out of mind, to advance, for the amount of such Treasury Bills of exchange as were directed for payment to the Bank until the amount was about 20 or 30,000, when the Treasury usually sent orders for the

"the amount of such advance to be set off from the respective accounts to which the Bills properly belonged. In the American war, they had been permitted to run to a larger amount, but he believed they never exceeded £150,000. Doubts occurred to him, when Governor, whether the penalties of the Act of William and Mary did not extend to this transaction; and for the purpose of removing them, the Act of 1793 was introduced and passed." 33 Geo. 3. chap. 32. It appears to have been originally proposed, that the Bank should be empowered to advance, to a limited amount of £50,000 or £100,000: but the Act passed without any limitation; its operation being of course confined to advances upon Treasury Bills of Exchange, on which species of security however, no advances appear to have been made since the Restriction.

By an Act which passed very shortly after the first Restriction Act, the Bank were prohibited from making any loan or advance on account of the public service, during the continuance of the Restriction; but at the commencement of the following session it was enacted, "that the Bank may make an advance on the credit of duties on malt, and on the land tax imposed in that session, and any other advance which may be authorized by any other Acts which may be passed during the continuance of the Restriction." 37 Geo. 3. chap. 91. 38 Geo. 3. chap. 1.

In almost all the Acts authorizing the issue of Exchequer Bills passed subsequently, a special clause has been introduced, empowering the Bank to advance the whole or a portion of the amount specified in the Act. They never advance any sum beyond the amount to which they are limited in the several Acts, nor have the bills issued to them and the bills purchased by them, together, exceeded that amount.

The bills described as "Issued," are those which pass directly to the Bank from the Exchequer, under special contracts or agreements entered into; as, for instance, the bills issued upon the credit of annual duties, and upon the advance of £3,000,000 as a loan to the Public, in consideration of the renewal of the charter.

The bills "Purchased" are those which are taken by the Bank (usually on an application from the Treasury,) when an issue of Exchequer Bills takes place, and when they cannot be sold to the Public at a premium. The Bank never credit any premium, nor deduct any discount upon the Bills thus taken; nor do they resell such bills to the Public.

An account in the Appendix shows the total amount of Exchequer Bills authorized to be issued by Parliament in every year since the year 1792, and the amount which the Bank was authorized to take of each description of bills.

The amount of the Advances of the Bank to Government, (deducting the sum issued from the Unclaimed Dividends) on the 26th February and 2d August of each year since the year 1814, and of the Bank Notes issued during the corresponding half years, appears from the Accounts presented to Your Committee to have been as follows:

| | BANK NOTES. | ADVANCES. |
|-----------------------|---------------|---------------------------------|
| 1814. January to June | - 25,511,012. | February 26, 1814 - 23,607,300. |
| " July to December | - 28,291,832. | August 2, " - 34,937,800. |
| 1815. January to June | - 27,155,824. | February 26, 1815 - 27,156,000. |
| " July to December | - 26,618,210. | August 2, " - 24,079,100. |
| 1816. January to June | - 26,468,283. | February 26, 1816 - 18,988,300. |
| " July to December | - 26,681,398. | August 2, " - 26,042,600. |
| 1817. January to June | - 27,339,768. | February 26, 1817 - 25,399,500. |
| " July to December | - 29,210,035. | August 2, " - 27,330,718. |
| 1818. January to June | - 27,954,558. | February 26, 1818 - 27,002,000. |
| " July to December | - 26,487,859. | August 2, " - 27,060,900. |
| | | February 11, 1819 - 21,930,000. |

10 SECOND REPORT FROM SECRET COMMITTEE ON

From the year 1790 to the year 1797, when the Restriction Act passed, the amount of Advances made by the Bank to Government, and of the Notes outstanding on the 25th February in each year, was—

| | BANK NOTES. | ADVANCES. |
|------|-------------|------------|
| 1790 | 10,217,360 | 7,908,968 |
| 1791 | 11,699,140 | 9,603,978 |
| 1792 | 11,349,810 | 9,839,338 |
| 1793 | 11,451,180 | 9,066,698 |
| 1794 | 10,963,380 | 8,786,514 |
| 1795 | 13,539,160 | 11,114,230 |
| 1796 | 11,030,110 | 11,718,730 |

The Amount, therefore, of Advances to the Government does not appear to have borne, for some time previously to the Restriction Act, a much less proportion to the total amount of Notes outstanding, than the Advances since 1814 have borne to the Notes issued in corresponding periods.

It will be seen, that a material reduction of the debt to the Bank took place between the month of August 1815 and the month of February 1816; it having been reduced in the latter period to the sum of £18,988,300, deducting the advances from Unclaimed Dividends.

This debt was again increased between February 1816 and the August following. In that interval, War Taxes to a very considerable amount were remitted; a large addition, authorized by several Acts of Parliament, was made to the Unfunded Debt, and to the Advances for which the Government were indebted to the Bank. The amount of those Advances was again reduced from £27,060,900 to £21,930,000 between the 2d August 1818, and the 11th February 1819.

Evidence of Mr. Dorrien, p. 26.

It was proposed, in May 1818, to repay to the Bank a sum of from 8 to 9 millions, by gradual instalments of one million a month, from the month of May; the Bank having then considered that repayment sufficient (according to the evidence of the Governor) "to enable them to make the experiment of the resumption of cash payments."

To meet these charges, and the services of the year, and also to effect a further reduction of the Unfunded Debt, provision was made, by a loan of 3 millions in money, and a gradual funding of Exchequer Bills to the amount of about 27 millions, with power to the subscribers of making money payments, instead of bringing in Exchequer Bills; and it was understood that the Bank should retain one half of the monies paid in, to the extent of the monthly payments above-mentioned.

It appears, however, that the sum paid in money on account of this loan fell short of the amount which was expected, and the repayment to the Bank did not much exceed Five millions at the end of January 1819; one million of which the Bank do not consider as an effective repayment, interest to that amount being due to the Bank upon the whole of their advances.

The amount of the advances of the Bank to Government was, on the 29th April last, £19,438,900; the sum of £1,098,820 being deducted from the account furnished by the Bank, as the amount of Advances on sums issued for the payment of Dividends.

It will be seen by reference to a communication made by the Court of Directors of the Bank to the Committee, as well as from the whole tenor of the Evidence of the Directors who were examined personally before them, that they consider the repayment of a large proportion of those advances essentially necessary, preparatory to the resumption of cash payments. As the notes which are issued by the Bank upon the discount of mercantile bills revert to them at the expiration of the period which those bills have to run, and which never exceeds 65 days, it is clear that that portion of their issues can be extended or limited at their discretion; whilst over the notes which are issued in consequence of advances to Government, they have not practically the same control. To whatever extent these advances may be reduced, the Bank will gain a corresponding control over the amount of their circulating paper, and will be enabled to supply the

EXPEDIENCY OF BANK RESUMING CASH PAYMENTS. 11

the diminution of notes thus created by an increase of their issues, either upon the discount of mercantile bills, or by the purchase of Bullion, or if necessary to make a reduction in the total amount of notes outstanding equal to the whole or any part of the repayment.

The only mode, during a suspension of cash payments, by which the Bank can effect a reduction of their issues, supposing no part of the advances made by them to the Government to be repaid, is by limiting that accommodation to Trade, which they have long been in the habit of granting, by the discount of mercantile bills of undoubted solidity, arising out of real commercial transactions, and falling due within short and fixed periods.

Although the amount of the Advances made by the Bank on public securities is accurately stated in the account in the Appendix, and although the Committee strongly advise the repayment of the portion of them required by the Bank; yet they think it necessary to observe, that in determining the actual amount of the debt due to the Bank on account of these Advances, an allowance ought to be made, in favour of the Public, to the extent of the Balances of public money deposited at the Bank.

The attention of Parliament appears to have been first called to the extent and operation of those Balances, in the Report of the Committee on Public Expenditure, presented in the year 1807; from which it appears that the aggregate amount of the Public Money deposited at the Bank, was then calculated to be £11,104,919; and a sum equal to 5 per cent. interest, on the average Balances in question, was considered, by that Committee, not far from the amount of the profits derived by the Bank from this source.

The average amount of Public Balances held by the Bank appears to have been about eleven millions, from the year 1807 to the year 1816; and in consideration of the advantage resulting to the Bank from the possession of them, the sum of three millions was advanced by the Bank to Government, without interest, in 1808, which advance was continued, under the authority of Acts passed by the Legislature, to April 1818.—Since the year 1816, the Public Balances held by the Bank have been diminished, and their average amount in the year 1818 did not exceed the sum of seven millions. Their amount has been still further reduced by the operation of an Act which has passed in the present session, which makes the growing produce of the Consolidated Fund available, to a limited extent, for the public service; and in a certain degree within those limits lessens the benefit previously derived by the Bank from its accumulation from the first to the last day of each quarter.

It appears however to the Committee, that whatever may be, either now or hereafter, the amount of the Public Balances held by the Bank, that amount ought always to be kept in view, and allowance made for it when the advances from the Bank to the Government are under consideration; for it is clear, that if a final settlement of this account were to take place, the public money deposited with the Bank must be set off against the advances made by them to the Government upon Exchequer Bills, and other securities bearing interest.

In confirmation of this view of the subject, the Committee beg leave to refer to the evidence of Mr. Haldimand, now one of the Bank Directors. He states that "it is his opinion, that a sum of from 8 to 10 millions should be repaid to the Bank by Government, supposing the public balances to remain without any considerable decrease in amount." And being asked, "Does the aggregate amount of such balances operate as a diminution of the amount of the total advances made by the Bank to the Public?" he answers, "Yes it does." page 54.

For the reasons alleged, it appears to your Committee, that although the amount of the advances of the Bank upon Government securities is accurately stated in the Appendix, yet in determining the effect which these advances have, of diminishing the control of the Bank over their issues, a deduction must be made corresponding in amount to the average sum held for any given period by the Bank as a deposit of public money, since that deposit, by lessening the amount of notes in circulation, restores to the Bank, in proportion to its extent, the power of acceding to the applications made to them for the discount of mercantile bills.

Your

Your Committee trust they shall not be considered to have entered into unnecessary details in having thus given a full exposition of the relations between the Government and the Bank. It will be seen by reference to the Evidence that, the amount of their Advances to the Public is urged by the Bank as one of the main impediments to the early resumption of cash payments; and that in order to make preparations for their resumption, the Bank require a repayment to the extent of Ten millions.—The Committee was anxious therefore that the amount and operation of these advances, and the degree to which their effect is counteracted by the balances of public money held by the Bank, should be clearly understood; and this appeared to them the more necessary, as the Committee feel it their duty to close this branch of their inquiry, with an earnest recommendation to the House, to make immediate provision for the gradual repayment to the Bank of that portion of the debt which the Bank require to be repaid, and to establish some permanent provisions, limiting and defining the authority of the Bank to make Advances to the Government, and to purchase Government securities; and bringing under the constant inspection of Parliament, the extent to which that authority may be in future exercised.

II.

YOUR Committee proceed to the next head of their Inquiry.—The Expediency of reverting to Cash Payments, at the period fixed by law for their resumption.

It will be seen by a reference to the Papers in the Appendix, that the Bank, without departing from the principles upon which their issues on the discount of mercantile bills have long been regulated, have made a very considerable reduction in the amount of Notes outstanding, compared with their amount at the commencement of the year 1818.

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|--|-------------|
| From July to December 1817 the average amount was | £29,210,035 |
| From January to June 1818 | 27,954,518 |
| From July to December d° | 26,487,859 |
| The average amount for the three months to the end of March 1819 | 25,794,460 |

Should the Legislature determine on the restoration of cash payments on the 5th July next, the Directors of the Bank would naturally feel themselves compelled to postpone the consideration of all other interests to the security of the establishment over which they preside, and would make a further and very sudden reduction of that portion of their currency which they have immediately within their controul.

pp. 21—260.

Much important testimony will be found in the Minutes of Evidence, with respect to the effect to be apprehended from a very rapid diminution of the present amount of currency upon the trading and agricultural interests of the Empire, of which Evidence Your Committee deem it incumbent on them to extract a portion, sufficient to give the House a just idea of the opinions upon this subject prevailing amongst the persons whom they examined.

Mr. Alexander Baring being requested to state, in what manner an attempt to effect the restoration of cash payments within the period of a year, would operate upon the commerce and internal concerns of the Empire? replied, "The resumption of cash payments can only be effected by drawing bullion into the Country, by a reduction of the issues of the Bank. I cannot think that the Bank could pay in specie, with any expectation of continuing in that state, until there was a considerable portion of specie already in the circulation of the country. I apprehend, that by no process, even if the effects of any sudden reduction of issues were totally disregarded, could the sum necessary for the purpose be brought into the country, within the period mentioned. I am further of opinion, that the operation of reduction necessary for the purpose I have mentioned, must always be accompanied with some restraint and inconvenience to every branch of industry in the country; and that if it were forced, with a rapidity at all approaching to what would be required for the payment in the course of a twelvemonth, the injury would be intolerable; the reduction of paper would produce all those effects which arise from the reduction in the amount of money in any country; an effect which I think is well described in Mr. Hume's 'Essay on

"on Money." The consequences of a contraction or expansion of the amount of money in a country, seem more felt during the progress of such contraction and expansion, than from any positive amount of money at any one given period. It is not, in my opinion, of great importance, what amount of money may exist in any country; but that the question, of whether it is on the increase or decrease, is one of great importance to every branch of its industry."

Mr. Haldimand stated, "that he conceived it to be necessary that the Bank of England, in order to be enabled to resume the payment of its notes in specie, should reduce their present amount to the extent of three or four millions forcibly." He explained, "that by the term forcibly, he meant a reduction, not arising from three or four millions less being demanded, but from three or four millions being demanded and refused by the Bank to the Public and Government. He considered this forced reduction of the issues of the Bank of England to be necessary, in order to restore the rest of the paper in circulation to its antient value in Gold, and the exchanges to par." Being asked, if, "in order to produce the effect which he anticipated from a forcible reduction of the issues of the Bank, it would be necessary that the reduction should be sudden?" he replied, "In my opinion every possible disadvantage and inconvenience to the Public would arise from a sudden reduction; I should certainly recommend its being gradual."

Mr. Gladstone, a Member of the House, and a merchant principally engaged in trade with the East and West Indies, and occasionally in general trade, gave an opinion, "that the influence which the reduction of the Bank issues produces, is of a secondary nature; that in other times, the alteration of 2 or 3 millions in their issues would not have been at all felt; but that in the present state of the trade of the country, after a year of much overtrading, and a great accumulation of Foreign goods in the country, and of British goods for British account in Foreign markets, whatever tends to narrow the means of circulation, acts in a much greater degree now, than it would in other times."

After a full consideration of the Evidence, and of the several matters to which it is material to advert, in considering the Expediency of resuming payments in cash on the 5th July next, the Amount of the Advances of the Bank to Government, the quantity of Bullion in their coffers, the probable effect of a rapid and considerable reduction of their issues, in whatever manner, or with whatever view such reduction might take place, Your Committee are decidedly of opinion, that it is expedient to continue the Restriction beyond the 5th July next.

III.

YOUR Committee have now presented to the House, their view of the Two important points, which they proposed, (according to the Order of reference) to make the First subjects of their investigation.—The State of the Bank of England; and, The Expediency of resuming Cash Payments on the 5th July next. They now proceed to offer their Observations, with respect to the period at which it may be advisable to terminate the Restriction.

They will, in the first instance, advert to the supply of Gold which may be required, in order to meet the probable demands upon the Bank on the resumption of Payments in Specie.

It is difficult to form any accurate estimate of the amount of Gold in circulation previously to the year 1797; and conjectures with respect to that which will hereafter be required, must necessarily be more vague and unsatisfactory.

In the communication made to the Committee by the Court of Directors of the Bank, on the 25th March, it is observed, "that the amount of specie in circulation before the war was variously estimated, even by persons best qualified, from their situation, to obtain information. It seems, however, to have been agreed that it was about 30 millions; but whatever the amount, the whole has been exported."

Mr. Harman states in his evidence, "That the amount of Gold in the country, previous to the restriction, had been estimated by the late Lord (62.) D " Liverpool

14 SECOND REPORT FROM SECRET COMMITTEE ON

“Liverpool at 30 millions. Mr. Rose stated it higher; but perhaps if we were to take it at 20 millions, that might be about the amount which was in circulation previous to the Restriction Act.” He adds, “that he thinks he is warranted in saying, that if 20 millions, besides what remained in the Bank, was necessary for the scale of expenditure before the Restriction Act, it is taking it moderately to contend that as much would be necessary now.”

Mr. Alexander Baring observed, “that it is difficult, indeed impossible, to form any accurate estimate; but his impression is, that with a new and perfect Coin, such as the Sovereign, which in his opinion would exclude the £1 and £2 notes, whether they are by law excluded or not, the amount of such a Gold coin would not be much less than from 40 to 45 millions. He does not mean that the whole amount would be required before cash payments could be resumed; but he thinks that they could not be safely undertaken with much less than half of that amount actually in the country, which its circulation would ultimately absorb; and that the half could not be accumulated, without great pressure upon the Country, in less than four or five years from the present time.”

The data on which any reasoning with respect to the amount of metallic currency that will be required subsequently to the removal of the restriction are so imperfect, that Your Committee abstain from offering any decisive opinion upon the subject; but they think that Mr. Baring has overrated that amount. With respect also to the disposition of the Public, to require Gold coin as currency in preference to Notes under five Pounds, a conclusion may be drawn, from the testimony of other witnesses, differing from that which Mr. Baring has formed. It has been observed in a former part of the Report, that when the Bank undertook to pay their notes in cash in the year 1817, no preference for coin was shown, until the foreign exchanges caused a demand for the purpose of exportation. Mr. Harman states in his evidence, “That, at that period, he was induced to flatter himself that the doors of the Bank would be opened—that (if he might use the expression) the Public would hardly know whether the Bank was open or shut—that it was in a moment of tranquillity—that people seemed indifferent about Gold—that instead of coming to the Bank for Gold, they brought their Gold to the Bank;—that remained till the financial operations in France began, and as soon as they were talked of, the tide turned.”

Mr. Stuckey, a gentleman very extensively connected with Banks in the county of Somerset, gave evidence to the following effect:—“In the latter end of the year 1816 and beginning of 1817, we had a circulation of coin for some months; it cost us at that period nearly one hundred pounds to transmit the surplus quantity of coin to London, of which four-fifths in value, at least, consisted of Gold. We could not get rid of it in the country, our customers preferring our notes. In the spring of 1817, I brought with me to town near 1,000 guineas from one of our banks; on taking them to our London banker, he requested, as a favour, I would not leave them there. They had lately sent so many to the Bank of England, that they did not like to trouble them any more; besides, the Bank only took those which were of full weight.”

Notwithstanding this evidence, it must be admitted, that no satisfactory conclusion can be drawn from the experience of so short an interval as that which is referred to by Mr. Harman and Mr. Stuckey. Great uncertainty must prevail with respect to the amount of gold which may be required for the purposes of internal circulation; and the Bank must be prepared, not only for the possibility of a much larger demand for those purposes than will probably be made, but for the consequences of a drain upon their treasure induced either by such a temporary depression of the exchanges as shall afford a profit on the exportation of the precious metals, or by a disposition to hoard them, arising from sudden panic and temporary want of confidence in paper currency. It must be considered also, that the stock of Gold now in this country is very limited. The long continuance of the Restriction has caused the exportation of nearly the whole of that which circulated previously, and the natural inducement to transmit the coin from this country, where it was not necessary, to other places

EXPEDIENCY OF BANK RESUMING CASH PAYMENTS. 15

places where it could be more profitably employed, has been in a very trifling degree counteracted by the legislative enactments which prohibit such an application of it.

It is possible, in the opinion of Your Committee, again to procure any quantity of Gold which is likely to be required for the purposes of currency; but a corresponding amount of the Capital of the country must be withdrawn from productive employment, for the purpose of acquiring and retaining the Gold in circulation; and causes are at present in operation, which are likely, by increasing the value of the precious metals, to increase, in a proportionate degree, the difficulty of obtaining, within a limited period, an adequate supply for the use of this country.

It appears that the Governments of other countries in Europe are now occupied in substituting a metallic, for a large portion of the paper currency, which the necessities of war compelled them to establish; and that the Supply of Gold and Silver imported into Europe of late years, has been diminished in consequence of the disturbed state of the Spanish colonies.

These efforts on the part of other Countries to restore to par with the precious metals the value of their respective currencies, would, by making the exchanges more unfavourable to this Country, aggravate the evil of a long continued restriction, but they will certainly, by increasing the value of the precious metals, render increased exertion on our part necessary for procuring a sufficient supply.

The ability of the Bank however to resume and continue cash payments, depends less upon the actual amount of Treasure it may be possible to accumulate than upon the state of the Foreign exchanges previously and subsequently to their resumption, and to the degree of certainty there may be, that the market price of Gold can be reduced to and made to conform with the mint price.

Unless such a reduction can be effected, and such a conformity established, it will be vain for the Bank to expend their Capital in the purchase of Bullion. No accumulation of Treasure, to whatever extent it may be carried, can render the Bank competent to satisfy the demands, which will inevitably be made for Gold, if the Bank are under an obligation to issue it at the rate of £3 17s. 10½d. per ounce, and if the parties having a right to demand it, can continue to realize a profit of five or six per cent. upon its exportation.

The documents in the Appendix afford ample information, with respect to the state of the Foreign exchanges, and the price of Gold measured in Bank notes, for several years past; and the various opinions of those who were deemed by Your Committee most competent to form a judgment with respect to the causes which have of late influenced the exchanges, and the price of Gold, will be ascertained by a reference to the evidence.

Your Committee have already observed, that for a considerable part of the years 1816 and 1817, the Foreign exchanges were in favour of this Country, and that since the month of July of the latter year they have been below par. Some of the witnesses ascribe the unfavourable change, to the effect of the loans which had been made about that period by Foreign powers, to the remittance of British capital for the purpose of being invested in foreign securities and foreign commercial enterprise, and to the effect of a very large importation of Corn in the course of the last year; and some of those witnesses are of opinion that no measures could have been taken by the Bank to control the effect of such extensive remittances.

Other witnesses, admitting that the causes which have been adverted to had a tendency to depress the exchanges, conceive that a contraction of the issues of the Bank sufficient to counterbalance the operation of these causes, might, and infallibly would have taken place, had there been an obligation on the Bank to pay its notes in specie on demand.

However the Exchanges may have been thus affected, in the course of the last and the preceding year, Your Committee see no reason to apprehend that the causes above-mentioned, or any similar causes, can continue to affect them in such a degree as to preclude the Bank of England, by a constant reference to the exchanges and the price of Gold, and when necessary, by a cautious reduction of their paper currency, from gradually approximating its value to that of Gold, and ultimately re-establishing and maintaining it at par.

Your

Your Committee have had submitted to them a calculation of the amount of British capital now invested in Foreign securities, and of the remittances which may probably be required for further payments on account of Foreign loans. The calculation is founded on the estimates of three commercial houses, extensively engaged in Foreign loans, which estimates are stated to vary to an inconsiderable extent; and it is computed that the amount of British capital in Foreign public securities, is about ten millions five hundred thousand Pounds; seven millions of which are supposed to be in French Stock. This estimate was furnished to the Committee by Mr. Haldimand, who thinks there is a possibility of error, to the extent of one or two millions. He is of opinion that little or nothing more will be sent from this Country on account of Foreign loans, now in course of payment.

Mr. Holland, a partner in the House of Messrs. Baring, does not consider the whole amount of British capital invested in Foreign, including American, funds, to be Ten millions; he speaks of capital permanently invested, and does not take into the account that which may have been employed in speculation in Foreign funds, a great part of which, he observed, had been drawn back with profit to this Country. He does not think that more than Three Millions of British property are permanently invested in French Stock; and is of opinion, that if it advances in price, a considerable portion of that will be withdrawn; and that there is no probability that any considerable sum will be remitted from this Country, in consequence of loans now contracted for abroad.

Your Committee are of opinion, that the future effect upon the exchanges of remittances on account of Foreign loans, will be very limited; that preparations for the resumption of cash payments will tend to diminish that effect; and that subsequently to their resumption it will be subject to a constantly operating control. In corroboration of this opinion, the Committee refer to the manner in which the exchanges of France and Holland (countries having a metallic currency) have been affected by similar remittances.

The Dutch capitalists have embarked to a very considerable extent in the Foreign loans that have recently been made, and are supposed to have taken nearly three-fourths of those made by Russia; but no sensible effect has been produced upon the exchanges or currency of Holland. France, notwithstanding the great extent of contributions to Foreign powers, which have been defrayed by that country, has maintained an ample metallic currency. It appears in the evidence of Mr. Holland and Mr. Irving, That the price of Gold has remained nearly stationary at Paris for the last four years; that in 1807, when there was in this country a variation in its price to the extent of 7 per cent. there was none in Paris; and that between the 5th October and the 22d December last, whilst the variation in the Exchanges between Paris and this country amounted to 4 per cent. the greatest variation between Paris and any country, which had a metallic currency, did not exceed one half per cent.

Mr. Rothschild being examined, as to the effect of the contributions which France has paid to foreign countries, upon her exchanges, replied, "Perhaps from one to one and a half per cent."

When Your Committee consider the extent and value of the exportable produce of this Country, they can have no doubt of its ability to command such a portion of the precious metals as may be necessary for the purposes of internal currency, and to maintain them in circulation by the same means by which they are maintained in other countries, where, from an imperfect state of credit and confidence, and the absence of banking establishments, a much larger metallic currency is necessary than this country will require, in proportion to its foreign trade and internal commercial dealings.

Difficulties must be encountered during the preparations for the resumption of payments in specie; but those difficulties are, in the estimation of Your Committee, outweighed by the important and permanent benefit of restoring the standard, by which, previously to the year 1797, the value of commodities was measured, and which, though variable in a certain degree, is much less exposed to fluctuation than any other that can be devised.

Your Committee abstain from entering more at large into this important topic, from a consideration that the Legislature has on various occasions, expressly pronounced

pronounced its opinion, on the policy of re-establishing the Metallic standard of Value; and that the duty which it has devolved on Your Committee, is no other than that of considering, at what period, and by what means, that great object can be best effected. They see nothing in the circumstances of this Country, or of Europe, which can render it expedient to postpone preparations for the resumption of cash payments, and by thus deferring, most probably to aggravate, the difficulties which may be inseparable from that measure. If, however, the Committee can suggest to the House any plan, by which in their opinion the pressure of such difficulties may be greatly relieved, and at the same time the most important of the advantages which would accompany a return to cash payments can be realized, they trust they shall not be considered to exceed the powers committed to them, by the suggestion of such a Plan, though it may involve a temporary departure from the laws which regulated our Currency previously to the Restriction.

A PLAN of this nature has been under the consideration of Your Committee; and before they explain its details, or assign the grounds on which they are disposed to recommend the several measures which form a part of it, they will present its general outline to the House.

They propose,—That, after the 1st May 1821, the Bank shall be liable to deliver a quantity of Gold, not less than 60 ounces of standard fineness, to be first assayed and stamped at His Majesty's mint, at the established mint price of £3. 17s. 10½d. per oz. in exchange for such an amount of notes presented to them as shall represent, at that rate, the value of the Gold demanded:

That this liability of the Bank to deliver Gold in exchange for their Notes, shall continue for not less than two nor more than three years, from the 1st May 1821; and that at the end of that period, Cash Payments shall be resumed:

That on a day, to be fixed by Parliament, not later than the 1st February 1820, the Bank shall be required to deliver Gold, of standard fineness, assayed and stamped as before mentioned, in exchange for their notes (an amount of not less than 60 ounces of Gold being demanded) at £4 1s. per ounce, that being nearly the market price of standard Gold in bars on an average of the last three months.

That on or before the 1st October 1820, the Bank shall pay their Notes in Gold of standard fineness, at the rate of £3 19s. 6d.; and on or before the 1st May 1821, as before mentioned, at the ancient standard rate of £3 17s. 10½d.

Your Committee proceed to state the reasons which induce them to recommend the adoption of these suggestions.

BY requiring the Bank to pay, after the 1st May 1821, a given quantity of notes in standard Gold, at the mint price, a security against fluctuation in the value of the paper currency will be provided, of the same nature with that which payments in specie afforded previously to the Restriction act. If the issues of the Bank shall at any time exceed the amount to which they must be limited, in order to maintain their value on a par with Gold, the Bank will be subjected to an immediate demand for Gold, and will naturally have recourse, as before the Restriction, to the contraction of the issues of their paper.

The chief recommendation of this Plan, in the opinion of the Committee, is, that it will enable the Bank to pay their notes in Gold at a much earlier period than they could pay them in the present Gold currency. There cannot, while this Plan is acted on, be any demand for Gold for the purposes of internal circulation; and whatever quantity it would be necessary to provide, with the view of replacing the small notes at present in circulation, may therefore be dispensed with. That portion of Capital, which must otherwise be applied to the purchase of an expensive and unproductive instrument of commerce, will be left available for the employment of productive labour; or at any rate, time will be afforded, during the operation of the Plan, for the gradual abstraction of that capital, and for the accumulation of such a stock of the precious metals, as may enable the Bank with perfect safety to supply a metallic currency. Although in the event of general panic, and a want of confidence

confidence in the stability of paper credit, the Bank would be exposed to the same demand to which they would be liable were cash payments resumed; yet it is probable that the drain, caused by sudden and local alarms, would be greatly diminished, if not altogether prevented.

In speaking of this Plan, Mr. Baring observes, "under such a system, the whole amount of Bullion that would be required, must be that amount which the Bank would be under the necessity of keeping for the purpose of balancing the variations that may from time to time occur in the amount of currency, which at different periods the state of the country may require, and farther, any amount which the Public may be disposed to hoard. I should not think that the amount so required by the Bank could much exceed five or six Millions, because I should not think that the contraction and expansion of currency at different periods could go much beyond that amount. Hoarding would go certainly to a less extent than under a system of Coin; because there could be no small hoards, and persons would be less disposed to hoard larger sums when they had not the means of issuing them as currency, if they should be disposed to do so, otherwise than by selling or carrying them to the Bank. Under these circumstances, I should incline to think, that Ten Millions of Bullion would be abundant for every purpose; but it is difficult to speak with accuracy of an untried Plan."

With respect to the preservation of the Standard of Value, Mr. Baring states, "That he is quite confident that the standard of the country, and of course the par value of the paper, would be preserved in much greater purity than under any system of Coin."

Mr. Holland delivered a paper to the Committee, in reference to the Plan of Bullion Payments; in which he thus expresses his opinion: "I can venture to assert, as a practical man of business, that there will be little if any difficulty in carrying it into effect; that it will not unnecessarily cramp Circulation; that it will not impede the ordinary measures, either of Government or the mercantile Community, but that, on the contrary, it will restore order and harmony to the system, and give to the Country what all parties who wish its welfare desire—a safe and efficient Standard of Value; variable it is true in a certain degree, but less variable than any standard which any country has ever yet established."

Your Committee will now give their reasons for recommending the Arrangement which they have suggested, for regulating the mode in which Gold shall be issued in exchange for Bank Notes, between February 1st 1820, and May 1st 1821.

The Committee consider it necessary to fix a definite period at which the Bank shall be under the obligation of issuing Gold at the mint price; and a Standard be thus established to which the value of the paper currency shall conform, and by which its issues shall be regulated. Parliament has, on more than one occasion since the peace, fixed a period for the return to payments in specie; and when it has consented to a further suspension of them, has expressed an opinion, that their resumption was highly desirable; and has assigned, as the reason for continuing the Restriction, the expediency of enabling the Bank to make such preparations, as to their discretion and experience might appear most expedient for enabling them to resume payments in cash, without public inconvenience.

Your Committee therefore are desirous, in recommending the further postponement of those payments, to devise some additional security, that preparations shall be made for their resumption; to prevent an impression on the public mind, that further suspensions will take place; and to induce a gradual accommodation of commercial transactions to a system of currency, which, having been long discontinued, could not be suddenly resumed, without restraint and embarrassment.

They conceive, that such security will be best provided, by requiring the Bank to revert, at an early period, to that principle on which, previously to the Restriction Act, their issues were regulated,—a reference to the price of Gold. They propose therefore, that time having been allowed for the repayment of a portion of the Advances to Government, the Bank shall undertake, at

at a given period, to deliver Gold in exchange for their Notes, in the manner already described.

Between the present time and the commencement of the year 1820, Your Committee cannot anticipate an operation of any of those causes, which affect the value of the precious metals, so extensive as to prevent the Bank from counteracting the effect of them, by such a reduction of their issues, as may be made without producing public inconvenience.

If the price of Gold shall remain the same as it is at present, the demand from the Bank, which will have to deliver it at that price, will necessarily be very limited. If, in the interval, any causes shall affect it, and produce a rise in its price, the Bank must in that case contract its Paper, either positively, as compared with its present amount, or relatively, to any increased demand which there may be for it; and thus, by increasing its value as currency, proportionately diminish the inducement to demand Gold.

It may be objected, that the adoption of this suggestion appears to recognize a departure from the ancient Standard of Value; but it recognizes it no otherwise than as it at present practically exists; it recognizes it for a very limited period, and with no other view, than to provide for the gradual return to that Standard, the deviation from which it acknowledges.

The Committee trust, that they have sufficiently explained the grounds on which they recommend, that, with a view to the establishment of a Metallic Standard of Value at the earliest period, the Bank should be required to deliver standard Gold in exchange for their Notes.

They do not express any preference for the system of Bullion payments over that of payments in Specie abstractedly; nor are they prepared to recommend them as a permanent substitute; but they consider them the best means of facilitating and ensuring the resumption of payments in specie with the least public inconvenience. They are of opinion, that, when once the ancient standard of value in this Country has been re-established, the great impediments to a return to our former system will have been overcome; and it will be in the power of the Bank, or of individuals, by taking advantage of a favourable state of exchange, to increase the supply of the precious metals in this Country, to any extent to which they are likely to be required.

Your Committee are aware that it may be objected to the plan of bullion payments, which they have recommended, First, That by necessarily continuing the notes below five pounds in circulation, it continues the present inducements to the crime of Forgery; and, secondly, That by requiring the presentation of a large amount of notes in demand for Gold, it gives to the possessor of notes to that amount, an accommodation which the holder of a smaller quantity will not possess.

On the first of these objections, Your Committee observe, that it is scarcely possible to calculate on a resumption of specie payments, accompanied with the total exclusion of the small notes, at a period much, if at all earlier than that at which it may take place, if the recommendation of the Committee be adopted. When the Legislature has, at former periods, contemplated the Removal of the Restriction, the necessity of continuing the circulation of the small notes for some time subsequently, has been foreseen, and is at present provided for by law. It is true, that after the resumption of cash payments, the amount of small Bank notes in circulation would probably be diminished; but there seems no reason for concluding that the temptation to Forgery, which must depend on considerations of risk and profit, would be diminished in proportion to the decrease of those notes, provided they were not altogether excluded. The force of this objection will also be lessened proportionately to the degree of success which may attend the attempts that are at present making, to devise means of rendering the imitation of Bank notes more difficult. Your Committee have been informed, that the Plan recommended by the Commissioners appointed for inquiring into the mode of preventing the Forgery of Bank Notes, may be expected to be in full operation in about three months; and they have received, from two scientific members of that Commission, (Sir Joseph Banks and Dr. Wollaston) the satisfactory assurance, that their confidence in the increased security which the New form of note will afford, as well by creating fresh obstacles to a successful imitation, as by giving a more obvious facility to the Public in detecting

tecting any attempt to give currency to Forged Notes, has been confirmed, by the progress of their inquiry and experiments since the date of their Report communicated to Parliament.

With respect to the second objection to Bullion payments, Your Committee remark, that the object of the Plan which they recommend is, by securing a control over the quantity of the circulating medium, to regulate the value of the whole, and to maintain Paper on a par with Gold. While this object is effected, the holder of notes, to whatever amount, has a security for their value, which, without this plan, he would not possess during the interval which must precede the resumption of cash payments.

Should the House determine to act upon the recommendation of the Committee, it will be expedient to continue the Act which passed in the present Session, restricting the further issue of Gold coin from the Bank. They propose no interference with the laws which regulate the mint, conceiving it desirable to retain, as a check upon any undue contraction of the issues of the Bank, the power which individuals at present possess of receiving Coin from the mint in exchange for Bullion, without loss or deduction, at the rate of £3 17s. 10d. per ounce.

They recommend, not as an appendage to the plan which they have suggested, but as a politic measure under any system of currency, the total repeal of the laws which prohibit the melting or exportation of the Coin of the Realm. Your Committee conceive it to have been clearly demonstrated, by long experience, that they are wholly ineffectual for the object for which they were designed; that they offer temptations to perjury and fraud, and give those who violate the law, an unfair advantage over those who respect it.

Your Committee have received an intimation from the Directors of the Bank of Ireland, that they shall be prepared to resume Cash payments six months after their resumption by the Bank of England. In making this communication, the Directors contemplated a return to payments in specie; but the Committee have the satisfaction of stating to the House, on the authority of the Governor of the Bank of Ireland, whom they have had an opportunity of personally examining, that there is reason to believe, that no difficulty would exist, on the part of the Bank of Ireland, in carrying into effect any regulations of the same nature with those which may be adopted with respect to the Bank of England.

Your Committee would here close their Report, if they did not think it necessary shortly to advert to the circulation of Country Banks. The notes of all those establishments are exchangeable for the notes of the Bank of England. As a part of the currency, therefore, they must be affected by any fluctuation in value to which Bank of England notes are now liable; and, consequently, will be alike secured from such fluctuation, by any arrangement which will effectually place and maintain the latter upon a par with a metallic standard of value. Although, from this view of the subject, Your Committee are led to the conclusion, that there can be nothing in the nature of the circulation of country banks, which can form an obstacle to the gradual resumption of cash payments upon the Plan which Your Committee have suggested, they have made it their endeavour to ascertain the probable amount of that circulation, at different periods; though they have to regret that they have not been able to obtain as precise and full information as might be desired.

There are not sufficient data from which to ascertain the exact amount of Country Bank Notes at any one time in circulation. Your Committee called for accounts from the Stamp Office, of the number of promissory notes stamped in each successive quarter, from the year 1810; and as these accounts show the number of notes stamped in each of the classes into which they are divided, according to their several denominations, if the nominal value of each is assumed, for the sake of calculation, to be the highest which such note could bear according to the stamp affixed, the total amount stamped in each year would be as follows:

| | |
|------|---------------|
| 1814 | £ 10,255,841. |
| 1815 | 8,204,968. |
| 1816 | 7,839,924. |
| 1817 | 9,075,958. |
| 1818 | 12,316,988. |

If

If these notes on an average circulate for three years, the highest aggregate amount to which they can have reached is £29,232,870.

Your Committee are led to conclude, from the information of Mr. Lloyd, that the whole amount of notes stamped, which still remain in such a state as to be circulated, can never have been at once in circulation. He says, "a banker Evidence, p. 167.
" may have 50,000 notes lying by him; his having paid the duty, and having
" the notes ready, by no means proves that they are in circulation. Sometimes
" there may be a very large amount locked up by him, at other times they
" may be almost all in circulation. In time of alarm, he takes care to have
" them as much at home as possible; in time of prosperity and general confidence, he has no hesitation in issuing them on satisfactory security.

Mr. Lloyd expressed an opinion, that the issue of paper by the Country Banks might be from 40 to 50 millions; but Your Committee are rather led to infer, from the general tenor of the information before them, that the amount of this branch of the paper circulation, throughout Great Britain, has never exceeded from 20 to 25 millions.

Whatever may have been the amount, it appears undoubtedly to have been liable to great fluctuations, as may indeed be inferred from the account of the stamps before alluded to, but with more certainty from accounts furnished by the three chartered banks of Scotland, representing the proportions which the quarterly averages bear to each other, of the respective circulation of each bank, at three corresponding periods; the scales by which the circulation of these banks is thus shown, establish the degree of the proportionate variations in each respectively; but it is to be observed that those scales, being constructed upon different data, afford no means of comparing with one another the actual amount of their respective issues.

| | Last Quarter, 1813. | Third Quarter, 1816. | Last Quarter, 1818. |
|-----------------------|---------------------|----------------------|---------------------|
| British Linen Company | 1,400 | 910 | 1,265 |
| Bank of Scotland | 8,773 | 6,728 | 8,179 |
| Royal Bank | 732 | 267 | 1,131 |

As a very large part of the Currency of Scotland is furnished by those banks, it must be inferred from the preceding scales, that whatever was the amount at the close of 1813, not less than one-third had been withdrawn from circulation in 1816, since which period an equal amount has been re-issued.

A fluctuation, corresponding with this in point of time, and at least equal in degree, appears to have taken place in the paper issued by the Country banks in England. The number of these establishments licensed in 1814 - - was 940,
in 1817 - - was 752.

Mr. Lloyd stated, that the circulation of the Country banks was at its highest in 1813 and 1814, but was considerably reduced in 1816; and the beginning of 1817; and being asked, as to the amount outstanding at the latter period, when compared with the former, he answered, "I can hardly say; I should think it was reduced nearly one-half."

Your Committee were furnished, by Mr. Stuckey, with the following scale of Evidence, p. 244.
the circulation of a considerable Country bank, for the last four years:

| | |
|----------------|-----|
| March - - 1816 | 10 |
| — - - 1817 | 12 |
| — - - 1818 | 16 |
| — - - 1819 | 17½ |

and further information on the same subject will be found in the evidence of Mr. John Smith, a Member of the House, Mr. Samuel Gurney, and Mr. Gilchrist.

Whatever may have been the diminution in the amount of the circulation of Country banks in 1816 and 1817, it was not in any degree caused by a diminution of the issues of the Bank of England. The circulation of Country paper is liable to be affected by want of confidence, generally brought on by extensive failures in some of those establishments, and the result of which is, that other Country banks, however solvent, participate more or less in the general discredit, and

Evidence,
p. 125.

and are obliged to restrict their issues, from a regard to their own security. In the opinion of Mr. Tooke, "A like effect is sometimes produced, and in a much greater degree, from the discredit of their customers, to whom they are in the habit of advancing money; most of their customers being holders of articles which are liable to be affected by a general depression of price."

Although there may be reason to infer from the opinion of the witnesses most conversant with the management of Country banks, and to whose evidence Your Committee beg leave to refer, that a reduction in the amount of the notes issued by the Bank of England would speedily and necessarily be followed by a proportionate reduction of the Country bank paper; still it must be obvious, that, independently of that cause, the latter is liable to a sudden and highly inconvenient contraction, under such circumstances of distrust and difficulty as occurred in 1816. The effects of this contraction, unless obviated by a corresponding increase in the issues of the Bank of England, the credit of which is fortunately unassailable by the influence of similar circumstances, must have a tendency, by diminishing the amount of the paper currency, to raise the value of the whole.

This, in the opinion of Your Committee, was one of the effects produced by the rapid contraction of our currency in 1816 and 1817; and to it may be ascribed, in part, the fall in the price of Gold and the favorable state of the Foreign exchanges during that interval.

Such contraction is an evil, to which the system of Country banks, resting upon individual credit, may be occasionally liable; but Your Committee are inclined to hope, that it will not be likely either to prevail to the same extent, or to endure for so long a period, when the fluctuations, to which an inconvertible paper currency is exposed, shall be checked, by the operation of the Plan which they recommend for the gradual resumption of Cash Payments.

Whether it may be practicable further to provide against inconvenience to the Public and the loss to individuals, which arise from the occasional insolvency of Country banks, and to make such provision, without an interference with the rights of property, and the transactions of the community founded on commercial credit, are questions of great difficulty; respecting which Your Committee could not, without further evidence and considerable delay, have enabled themselves to submit an opinion to the House.

Your Committee have forbore from entering into any reasoning upon the effect produced upon the value of our currency, by variations in the numerical amount of the Notes issued by the Bank of England. So many circumstances contribute to effect that value; such, for instance, as the varying state of commercial credit and confidence—the fluctuations in the amount of country bank paper—the different degrees of rapidity with which the same amount of currency circulates at different periods,—that Your Committee are of opinion, that no satisfactory conclusions can be drawn from a mere reference to the numerical amount of the issues of the Bank of England, outstanding at any given time.

6 May 1819.

THAT it is expedient further to continue the Restriction upon Cash Payments by the Bank for a Time to be limited, in such Manner and on such Conditions as shall be provided by Parliament, with a View to ensure its final Termination at the Period so to be fixed.

THAT previously to the Resumption of Cash Payments by the Bank, it is expedient that the Bank should be required, at a Time to be fixed by Parliament, to give in Exchange for its Notes, Gold duly assayed and stamped at His Majesty's Mint, (if demanded to an Amount not less than a Number of Ounces to be limited), valuing the same in such Exchange at a Price not exceeding Four Pounds One Shilling per Ounce.

THAT at the Expiration of a further Period, to be also fixed by Parliament, the Bank should be required to give in Exchange for its Notes, Gold so assayed and stamped (if demanded to an Amount of not less than a certain Number of Ounces to be limited), valuing the same in such Exchange at the Mint Price.

THAT at some Time between the Two Periods above mentioned, the Bank should be required to give in Exchange for its Notes, Gold so assayed and stamped, valuing the same at a Price between Four Pounds One Shilling and the Mint Price; and that after the Price at which Gold shall be valued in such Exchanges shall have been once lowered, it should not again be raised.

THAT

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THAT after the Period shall have arrived at which the Bank shall be required to give Gold in Exchange for its Notes at the Mint Price, a further Period to be fixed by Parliament should be allowed, and a certain Notice given, before the Bank shall be required to pay its Notes in Cash.

THAT it is expedient that all Laws, which prohibit the Melting or Exportation of the Gold or Silver Coin of the Realm, and the Exportation of Gold or Silver Bullion made of such Coin, should be repealed.

The Earl of LAUDERDALE rose to move, as an amendment, a set of resolutions, founded on a view of the subject very different from that taken by the noble earl and the majority of the committee. He therefore urged the propriety of time being afforded for the consideration of his propositions, in the same manner as had been observed with regard to those of the noble lord. He wished them to be printed, and a future day to be fixed for going into the debate, by which means their lordships would have time to consider the subject more maturely. He thought it impossible for the house, in its present state of imperfect information, to come to a satisfactory decision on the great question of the resumption of cash payments. He therefore moved, that all the words of the resolutions proposed by the noble earl, after the word *that*, be omitted, and the following resolutions submitted in their stead:—

Resolved, 1. That it appears to this House, that during the greater part of the year 1816, and the beginning of the year 1817, the exchanges with foreign countries were generally such as made it advantageous to import both gold and silver bullion into this country; and that the evidence reported by the Committee proves, that at that time large importations of these metals actually took place.

2. That since the month of March, 1817, when our silver coin was, by his Majesty's proclamation, of date the 1st of that month, established in circulation, the exchanges with foreign countries have been such as to render it impossible to import gold bullion with a profit, and to have made it uniformly advantageous to export that metal, whilst the importation of silver bullion has constantly been attended with a profit; and that the evidence, as reported by the Committee, proves beyond a doubt, that gold since that period has been exported to a great amount, whilst silver bullion has been imported from almost every country with which we have dealings.

3. That, under these circumstances, it does not appear to this House that there is any satisfactory evidence of an over issue of paper, which is always attended with a rise of the price of both gold and silver bullion above the Mint price, and a state of exchange that renders it impossible to import either gold or silver bullion with a profit.

4. That the exchanges, as well as the price of gold and silver bullion, since the introduction of our silver coinage, under the sanction of the act of the 56th of the King, chap. 66, have uniformly exhibited that state of things which has always been experienced, and must always take place, when the value of silver coin is diminished, whether that diminution is effected by lowering its intrinsic or raising its denominative value.

5. That, judging from the quantity of bullion which the evidence shows us the Bank possessed for some months before and after the Mint regulations were acted upon, and from the state of the exchanges, which before the month of March, 1817, rendered the importation of gold and silver bullion highly profitable, as well as from the preference which it is proved the public then manifested to receive Bank notes rather than gold coin, we cannot doubt that, though in the beginning of the year 1817 the Bank had a greater issue of paper than it has at present, it might at that time have resumed payments in coin with perfect safety to that establishment.

6. That although since the new Mint regulations have been carried into effect, our gold coin has been banished from circulation, and the exchanges have been nominally unfavourable, when calculated in that metal, in which payments no longer could be obtained; yet the real exchange has been uniformly favourable to us, when calculated in silver coin, the only metallic coin in circulation: that we cannot, therefore, doubt of the truth of what the common rules of arithmetic may inform us, that if the Mint regulations had assimilated the Mint prices of the two metals to their market prices, the exchange calculated even in gold coin would have been uniformly in our favour; and that we must, therefore, be of opinion, that the Bank may resume payments in cash, with safety to that establishment, whenever the Mint values of these metals are made to correspond with their market values, provided it has recovered from the injury its funds have sustained, by its having reposed too great confidence in the wisdom and prudence of the Legislature, who sanctioned the existing Mint regulations.

7. That it appears, therefore, to this House, that an alteration of our Mint regulations, such as will approximate the Mint values of our silver and gold coin to the market values of these metals, is a necessary preliminary step to the restoration of our currency to a salutary state.

RESOLUTIONS.