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NEW
CIRCULATING MEDIUM:
BEING
AN EXAMINATION
OF THE
SOLIDITY OF PAPER CURRENCY,
AND ITS EFFECTS ON THE COUNTRY AT THIS
CRISIS.

LONDON:
PRINTED FOR J. JOHNSON, NO. 72, ST. PAUL'S
CHURCH YARD.

1797.

MY DEAR FRIEND,

OUR last conversation was of a nature to leave a deep impression on my mind. It is impossible to feel indifferent to the fate of one's country, in which is involved that of our dearest interests; those interests which awaken all our energies, and forbid our anxieties to sleep.

Indeed, my friend! we know not what is impending. It was not because France was not rich in her canals, in a fertile soil, in an immense population, in splendid mansions, in costly furniture, or even in circulating coin, that a revolution, so awful, so instructive, happened in that country. Her public debt was great, and the resources of her government, which must always depend rather on the *will*, than on the *ability*, of the people, failed her in the moment of necessity. We have seen the people of this country, so religious, so loyal, under the impression of ill-founded alarm, drain the bank of its treasure, regardless of the fate of all that is venerable and sacred in the government, all that is elegant and splendid in the establishments they affect to admire, in contempt of our public credit, and commercial existence. This is a circumstance truly serious and alarming; and attended

with consequences which appear to me still more pregnant with ruin. You appeared to rejoice in the prospect of the new circulating medium, and thought my opinion ill founded, when I stated it to be, that a new paper currency is unequal to the supply of our necessities, and will end in the destruction of our public credit, and private happiness.

I promised you a written refutation of your opinions, and I proceed to fulfil that engagement, with a conviction confirmed by deeper reflection. I will however state your ideas in their full force, in a form in which they shall lose nothing, but the elegance of your more correct expression.

You said, "Gold and silver coin as a circulating medium is of no value, but as the representative of food and raiment, and the general conveniences of life, which men have agreed to accept in exchange for the produce of the loom and the labour of the plough. It is of advantage to the community that the labour of man should be employed on subjects of productive benefit, and not wasted in the production and preparation of a medium of exchange; whatever, by agreement, serves the purposes of the exchange of commodities answers the whole design of money, and if this medium of exchange costs nothing, requires no labour to be spent upon it, so much the better; the community will reap
" the

" the advantage of so much more labour, being directed to purposes of importance, and producing the supports or accommodations of our being."

This reasoning would be of unexceptionable validity, if the community, by the agreement by which they constitute bank notes, or any kind of paper, for instance, a current medium of exchange, could limit the number of such notes, so that their ideal or conventional value should be uniform, fixed, and invariable.

This appears to be the weak part of the reasoning, and unless you could give this power to the agreement of the community, you must, I fear, be willing to choose the less of two evils (the common determination of human conduct), and submit to an expensive currency, rather than render all exchange of commodity of uncertain effect, and invite the confidence of the ignorant, to a species of money which can be marked with no certain impression, or whose impression will express no determinate value.

In the progress of commercial occupation, the origin of money is easy to trace. When markets were established for the exhibition of commodity, two farmers or manufacturers met and exchanged the production of their labour or their care. Inconvenience soon arose from the impossibility of bringing two articles to market of exactly equal value, and sometimes it was not easy to divide the article.

Two

Two men meet in market, the one has a horse and wants a cow, the other has a cow and wants a horse. But the two animals are of unequal value. The labour spent in rearing the horse is greater than the labour spent in rearing the cow. They agree to exchange the animals, but something is wanted to put to the cow, to make her a fair and equal exchange for the horse; the animals cannot be cut in two, for a whole living horse is wanted by the man, who has nothing but his cow to give. Such difficulties often occurred, and to remove them *money* was invented.

The thing wanted, of which to form coin, for facilitating the exchange of commodities, was a substance infinitely divisible, portable, and adapted to the purpose.

Could this be done by the leaves or the bark of trees? No. Why? Because little *labor* was necessary to procure them, and being of no use *in themselves*, they would not be received in exchange for that which it required the exertion of industry to procure.

But you will say, of what *intrinsic worth* is gold and silver above iron or copper?

I admit that iron and copper are convertible into instruments of more practical utility to the labourer than gold or silver, for tilling the land and other important purposes; but gold and silver are less easy to procure, more *human labor* is exerted in their production, and it is *this circumstance* which impresses value upon

every thing procured by man, whether he is led to desire and love it by corporeal necessity or mental taste.

What constitutes the value of a diamond? Whatever it be in man that induces him to desire its possession, certainly its relative value to other objects of taste, is the *difficulty* or *labor* with which it is procured.

Why is wheat of more relative value to other necessaries of life than potatoes? Are they not both produced and matured by the same soil and the same sun? The answer is obvious; wheat derives its greater relative value from the greater quantity of *human labor* which is spent in its production.

Why is the finest lace of greater relative value to other articles of dress and ornament, than the coarsest gauze? For the same reason. The sum of labor spent in its production.

In order to think with precision on this subject, it is above all things necessary, that we should generalize our ideas.

The earth, the air, the elements of all existence are the immediate production of God, and, in the strict sense of the word, man can produce nothing. Whatever man found upon the earth necessary for his subsistence, or convenient for his use, its *cost* to him was the trouble or *labor* he had to procure it. The *relative value* of any one article, of use, or of ornament, to any other

other article, would be, the *comparative* quantity of *labor* he spent in procuring that article.

Carry your thoughts through a range as extensive as earthly existence, and you will find, that the *relative value* of every article must be determined by the same circumstance, *Human labor spent*.

To this test bring your *paper currency*. Of what relative value is a bank note of one pound? Does it require the labour of a week to produce it?

Of what additional value is a bank note of ten thousand pounds? It requires no additional labor to produce it. This is a circumstance of essential difference betwixt the gold and the paper guinea.

The gold receives not its relative value from the mint impression, it is the legitimate representation of the industry and labor of man. The toil of a week produced it, it is of the value of any other article which is produced by the same quantity of labor.

Here is a *standard* which determines the relative value of every thing we possess, of every thing we enjoy, a standard recognized in every nation and understood by every man; not the effect of convention and compact, but of stable and unvarying existence; not the creature of will, but the child of nature; not the creation of governments and legislation, but the eternal law of humanity.

I know

I know you will reply, that it is not contended that *paper currency* can boast of this real and permanent value, that it declines being brought to this *test*, by which the relative value of every thing to every other thing is to be determined, but it derives its value from *agreement* and *common consent*, having no other claim to consideration, or *standard* to which it can appeal. My answer is already stated. This *agreement* cannot *limit* the quantity of this paper currency. The *impression* of this currency, expressive of such agreement, may be imitated, may be forged.

The making of this impression must be trusted to somebody—every member of the community cannot attend the issuing of this currency, and where is the man, the government, the corporation, in which such a confidence ought to be placed? to whose power the fortunes and existence of the society ought to be committed?

Pone seram; cohibe. Sed quis custodi ipso
Custodes?

Nor will any advantage be gained by legally compelling your acceptance of this paper money; for the law can only thus provide for your submission to the discharge of a debt, it cannot compel you to *sell*, or *dispose* of your cattle or other property, for this fictitious coin. No! The relative value of every thing will sink to the *standard* we have stated, no human law can set aside and abrogate, this *eternal law of nature*; for such, and nothing less, is this.

B

Having

Having stated, I think, what is sufficient in reply to your remarks and reasonings on the subject of *paper currency*, I will now set down the evils, I apprehend, from this attempt, at this crisis, to our country.

It cannot escape your observation, that if the above reasoning be true, it will advance the price of all the necessaries of life; or, to speak more correctly, the necessaries of life will bear a higher relative value or price to this species of coin than they did to gold and silver of equal denomination. As long as it is supposed twenty shillings may be procured, upon demand, for a note of that value, the note will be received in exchange for as much corn or meat as was given for twenty shillings; but the moment this opinion is abandoned, your paper note of one pound will become an article of speculation as to what will hereafter be given for it, and a less quantity of corn and meat will be given—and still a less, until (as was the case with French assignats) a hundred pound note will be given for a supper.

That species of currency whose worth cannot be brought fairly to the standard of the *value of labour* must depend, for its circulation, wholly upon *confidence*. But confidence will have its limits. Confidence must have a basis. *Faith is the evidence of things unseen, the substance of things hoped for.* This faith must, however, receive it as a thing not to be questioned, that there is a *substance*, although it is not this moment visible. Let it be known, or even

suspected, that this substance on which it feeds, has no existence, visible or invisible, and faith is annihilated.

It is however of the nature of all human *confidence* (confidence has long been the doctrine, the order of the day!) to expire by degrees. You know a case which I think in point. You had a debtor. He owed you five hundred pounds, upon a note payable at the end of twelve months. Report said your debtor was in suspicious circumstances, his credit was on the wane. I gave credit to the report, you did not at first. Your debt was not due, it could not be legally demanded. You inquired. You began to suspect. Again you inquired. Your suspicions increased. You conversed with some of the gentleman's friends, they affected to treat your suspicions with ridicule. You offered to sell the debt to them. They bought it for four hundred pounds. They became afterwards suspicious, and sold the debt for two hundred and fifty pounds. Before the end of nine months, the debtor was a bankrupt, and the note was worth just its price at the paper mill or the confectioner's.

Similar to this was the fate of the paper currency of America and France, and the notes of the celebrated Mr. Law, the projector of the Mississippi scheme, in France.

You will say perhaps that the American and French governments, at the time of issuing their paper, were infants in exist-

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ence, and in hourly danger of perishing; whereas our paper circulation is built upon a confidence, that has had a long existence, which never yet deceived us. I admit the distinction, but I contend, that, although the bank has long existed, and never disappointed our confidence, yet the confidence now required is perfectly *new*, for hitherto the holder of a note, could in a moment possess himself of the gold whose value it represented. It is certainly more natural and more reasonable to confide in an old establishment than a young one, whose conduct is untried, and especially in an establishment of recent existence, and in dangerous and threatening circumstances. However *confidence* is but *confidence*, and that faith which is never refreshed with vision, distant vision at least, will, in time, perish. It is of the nature of *confidence*, to look forward to reality, it is a state of mind, subject to alarms, to the attacks of scepticism, and only cherished as it looks to something more durable, something *in possession*.

France, when she issued her paper, held out as the basis of the *confidence* she invited, an immense mass of confiscated property, the security of which, like the stability of her infant government, was most questionable *at first*. Every defeat of the enemy gave more solid grounds of hope to the creditor of the infant Hercules.

Yet, such is the nature of the human mind, the depreciation of this paper was very

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very gradual, and most rapid, after the danger appeared to be over. We are told from high authority, that *hope deferred, makes the heart sick*; and a sick heart wants the courage that high confidence requires. It produces a debility of frame, which is the easy prey of every fear and alarm!

I have, therefore, no great love of that *confidence* which is invited by promises fair and specious; every confidence may be shaken which is not built upon *reality*, a reality equal to its object, and constantly at hand. The rise of the price of all necessaries will affect the labourer very essentially, for he will now be paid in paper, and according to that denomination of value given it by the impression it bears, whatever relative value it may support, to the provisions of the first necessity.

And what are we to expect from the labourer goaded to madness by his hunger, no longer ignorant of the *cause* and *fountain* of his misery? If need will make a wise man mad, we cannot expect it will make an ignorant man wise. Common calamity, general hunger, from a cause known, an obvious cause, will unite the labourers in measures of hostility and insurrection. Your vivid imagination will paint the rest.

We are a commercial country, and a great proportion of the people of Britain find occupation and subsistence in labour demanded by other powers, in a produce consumed

consumed by other nations. Should any event destroy our foreign commerce, it would dismit from employment perhaps a third of the British public. And was it ever known that any commercial country could preserve its foreign connections, and the advantages resulting from them, under the influence of a *paper circulation*? Will your paper, whose value is nominal, your notes drawn payable on demand, which every one knows are no where payable in fact *, will such paper find acceptance with foreign nations? Impossible! The course of exchange will be every where against you, and you will find you cannot procure the raw material which has hitherto employed the industry of your people.

And what will be the consequence of one third of your people losing employment, and with it the means of existence? Your policy has already contributed, as Sir Frederic Morton Eden states and laments, to people the plains of America, and will you send *all* your riches there? For the productive labourer is the artery of the wealth of nations.

Are you prepared to divide all the commons of the country, free from the claims of manorial rights and tithes, amongst what were once your manufacturers, now

* "Fair proposals punctually performed will bring credit," says Lord Oxford, (see Essay on Credit): where is this *punctuality of performance* to be traced in this banking transaction, and how can it then hope for *credit*?

your

your starving poor? This were a measure too powerful and democratical for the contrivers and defenders of our paper circulation. Yet this must be adopted, and measures still more strong, if you will convert your commercial and manufacturing country into an agricultural nation. This must be done with the sacrifice of *every particle of the feudal system*. And the far-famed British, whose arts astonished, and whose arms appaled every quarter of the world, will become a nation of husbandmen! The idea of such a change does not greatly shock me, because I do not know that the men of Britain would be then less happy than under the arrangements of the present system; but the prospect must be gazed upon with affright by those, who conceive the splendour and the prosperity of a country to be one. Nor ought we to be unmindful of the difficulty of thus changing the national habits, even were that change desirable. A moment of consternation would intervene. The minds of men would be in that state which is experienced betwixt the noise that precedes, and the awful concussion of an earthquake. And who can tell that their worst fears would not be realized, who can say that a political concussion would not take place, which would shake the edifice of our government, and tear to pieces the pillars of our private property?

Of such a moment let the rich beware!

How,

How, by a paper currency, shall we be able to procure those articles of immediate consumption for which we have been accustomed to give specie, and which have become the most necessary of our supplies, by being the source of our most general enjoyment?

O that the ashes of Johnson could be reanimated! With what majestic eloquence, and commanding energy, would he assert the importance of his favourite tea! O that he now lived, that he might learn the exercise of a virtue which was not a too frequent resident in his bosom. He has said, that it is little a government can do in mitigating the rigours of popular distress, and he used to affirm that the happiness and misery of man little depended upon the government under which he lived. Who would not have been gratified in observing Johnson gracefully acknowledge himself in error!

We are in possession of many colonies, to protect and accommodate which, immense sums of money have been drawn from us; how can a paper currency be accommodated to wants created by such circumstances as these? Were it possible, by general agreement, to accommodate a nation of husbandmen, by a medium of exchange made of a material of no intrinsic value (which I, however, think to be impossible), and no disadvantage result from such a scheme, it is surely impossible to make such a conventional property embrace

brace the wants, and conciliate the confidence, of a country whose boasted greatness is said to depend upon foreign colonial possessions, stretching their boundaries to every quarter of the world. Such are our circumstances, and such will be the evils of this fatal experiment.

We are at this moment at war with the most powerful nation of Europe, not on account of the possession of an island in the West, or a settlement in the East Indies, but the object for which we are contending is no less than the extinction of the government and governing principles of the republic of France. We have associated the accomplishment of this object in our minds, with the *existence of our own government*, and the acknowledgment of the French republic was, at the beginning of this mighty contest, said to be the abolition of monarchy in Britain.

To destroy this nest of serpents, the French Convention, whose horrid hissing had dismayed all Europe, the British Hercules called to his aid the legions of three mighty monarchs. He enabled these kings to find the necessaries of war by granting them ample subsidies. The business is not yet accomplished, the French republic exists, and therefore, if Britain reasons justly, the monarchy of England is in danger. The war must be prosecuted, and the need of foreign aid is greater than at the beginning of hostilities.

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Will your paper currency satisfy Hungarian foldiers? Will it keep warm the embers of French Royalty? No, it will consume too quickly to keep any permanent heat alive.

The minister calls for a loan; he obtains it. Is it the currency of England, or the currency of Europe? The currency of Europe has no existence here. The riches of our *monied men* consist of paper, letters, and figures, which *represent* the authority and power of government, which are built upon the *obedience* and *will* of the people. The *monied man* produces a bill or a receipt of the government, and calls upon the proprietor of land, or of manufactured commodity, to pay in money or produce, what he has advanced, on his behalf, to government. The proprietor answers, I have borrowed none of your money; but the government borrowed it. Not for my use, says the proprietor. Yes, to protect your property, says the stock-holder. That was in no danger, it is replied. Your *property* you hold from government. No, says the proprietor, I hold my property by my industry, which produced it, and government holds its power *by my will*.

Who will pronounce upon the security in question?

The minister, however, obtains *paper money* as a loan. It is *created* for his service. This will insure its rapid depreciation, for it is this circumstance which

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constitutes the danger of its circulation. It may be multiplied to any extent, but the multiplication of this paper will not increase the stock of *accumulated labor* (the real stock of national wealth), and the accumulated labour, the produced commodity, will retain its *value* after the *paper coinage* has lost its estimation. It then will become impotent to the production of war necessaries, and if on the destruction of the French republic depends the existence of the English constitution, at what office and on what premium can its life be insured?

The *creation* of paper money for the exigencies of the public service, now becomes an evil of portentous and *probable* calculation. The bank seems to be *identified* with government; if, disdaining the claims of its creditors, the gold in its coffers was at the service of government, surely its notes, less precious, will not be withholden.

And to what extent may not this evil be carried? A minister presides over this country, bold in design and hazardous in enterprise, who resolves quickly and acts what he resolves; but whose fault appears to be a want of the knowledge of the remote and ultimate operation of his measures.

The people of England, long accustomed to some paper circulation (the extent of whose existence, however, was in some measure limited by the promptitude with

which it was always convertible into specie) will give a momentary currency to the paper of *the new order*. Mr. Pitt, pressed by the power of the enemy, the increase of the national debt, and the claims of the army and navy, may glut the market before the poison is perceived in operation. The approaches of convulsion are slow, but the poison that the system has absorbed is of certain and mortal effect. A glutted market will produce a sudden depreciation. Half the people may thus, by the acceptance of notes, be contributing to a forced loan, of which they will be for the moment unconscious.

Alas! for the public creditor who receives paper for his dividend. Paper, which can as easily, if it were protected by *sufficient confidence*, be created to an extent equal to the payment of the original debt, as of the *interest*, of the debt of the nation.

Do you not perceive at this moment our tremendous situation, and that the property and existence of every loyal man in England, are in the hands of the minister and the directors of the bank of England?

The army and navy too paid with paper. Were our government a despotism, a military tyranny, this measure would be pregnant with its destruction. Not all the madness of French democracy would so surely produce its ruin.

And this circumstance is rendered still more

more alarming by our apprehensions, whether well or ill founded, of invasion.

You observed, as I have already stated, that the depreciation of paper currency in France, was greatly owing to an opinion of the instability of their government. Certainly this hastened the depreciation. And the same effect will be produced here, if, for a moment, it be apprehended our government is in actual danger, which can never cease to be the case if we have reasoned justly, and if the war was a proper measure, so long as the French republic exists.

The *paper currency* now established here has given to the French a new engine by which to destroy us. They may send an army with millions of our notes, which, when once put into circulation, will, if a happy counterfeit, annihilate the credit of ours for ever.

But, without the measure of sending an army furnished with this new ammunition, the circulation of our paper may be essentially injured by any extensive forgery.

In London, indeed, before a man receives a note (though this were an inconceivable trouble) of any considerable amount, he *may* repair to the bank office, and get it examined; but this cannot take place in the *country*, where, in case of an extensive forgery, notes can command no circulation whatever. Nor have we only furnished the foreign enemy with weapons for

for our destruction by this measure, we have also put arms into the hands of the *domestic enemy*.

To preserve domestic peace we made foreign war, for the enemy is said to be within us. A writer whose fancy can adorn with the powers of enchantment whatever his reason or his passions induce him to produce, has said, that the state has to dread eighty thousand enemies of incorrigible audacity and resolution, and possessing no mean portion of dangerous energy, within its own bosom. We have furnished these, if such there be, with most effectual weapons. On the trial of John Horne Tooke it appeared that the finances of the Constitutional Society afforded government a better security against the machinations of the seditious, than its own zeal and activity.

Now, should an army of rebels arise, we have put it in their power either to *create* a currency for the payment of their troops, or to deprive us of the means of paying ours. By a well executed forgery they might obtain provisions, or render the real notes so impossible to be distinguished and discriminated, as themselves to be universally rejected.

By this means the people of property in a country are robbed of their best security, which consists of the poverty, and consequent impotency, of the disaffected. The political alchymist, who attempts to change
paper

paper into gold, will be unable to preserve governments and constitutions from change.

How precarious, my friend, is our existence? Confidence, requires the utmost delicacy to foster and preserve it; can it then long exist in a climate so unpropitious, and surrounded with storms so threatening? Your last question was concerning the solvency of the bank. Without entering into the discussion of this question, on supposition that all its creditors should prove good, I will simply state what no mind can resist the truth of.

The final proof of its solvency must be its being again and speedily opened for *payments in specie*. This—this only can establish its credit, and save us from the ruin that is impending.

After the general agreement of the merchants and traders to take and hold bank notes, if the bank have any quantity of cash, and if the *confidence* of the people be indeed intire, what has the bank to fear? Let it be immediately opened again. After the general agreement and combination to support its credit, if it dare not now be opened for payment in specie, it is a circumstance of threatening aspect respecting its affluence and ability.

Should the bank be insolvent, you ask what is to be done? This is a difficult question, and will be discussed with ardour at some future period.

Our

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Our malady *exists*, and will soon be *felt*; it must be removed by the speedy re-opening of the bank, which will make its notes the just representatives of a valuable currency; or the first step of recovery must be *peace*. That obtained, the finances of the country must be fully examined, and freely exposed. The people must be called upon to unite in the projection of expedients, and in the execution of measures, for the general health. The poor must be employed, and all grievances redressed. From the union of the people alone government must look for its support and security, and a *confidence* must be produced, the offspring, not of ignorance, acquiescence, and credulity, but of a complete knowledge of the extent of the calamity, and the mode of its removal.

But this is indeed matter of high import. It is for the nation's consideration. It is worthy the discussion of an assembled people, and to that discussion I leave it.

I am,

My dear friend,

Truly Yours.

London, March 16, 1797.

THE END.