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THE
INIQUITY OF BANKING:
OR,
BANK NOTES
PROVED TO BE AN
Injury to the Public,
AND THE
REAL CAUSE
OF THE
Present Exorbitant
PRICE OF PROVISIONS.

SECOND EDITION.

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ADVERTISEMENT.

THE subject of the following pages has, for a considerable length of time, engaged the closest attention of the author. The longer he has reflected, the more clearly he has been convinced, that Bank Notes are the principal cause of the evils at present most complained of: sensible, however, of his incapacity to do justice to the subject, it is only in the hope of leading to an inquiry that he presumes to intrude upon the notice of the public. If he should not be disappointed in
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this hope, he will not despair of attaining his ultimate object; being persuaded, that the injustice of suffering one part of the society to increase the quantity of its money at pleasure, by substituting paper for gold and silver, when it is not in the power of the other part to do the same, as well as the absurdity of all attempts to reduce the price of provisions, while the demand is constantly increased by the increase of the circulation, must be so obvious, on the least reflection, as to be perceived the moment that the public attention is directed to the subject.

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 INIQUITY OF BANKING,

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WHEN no steps are taken to remedy an evil which is universally complained of, we are apt to conclude, either that the cause has not been ascertained, or that it cannot possibly be removed: but neither of these may be the case; for as the ideas of right and wrong, in the generality of mankind, depend entirely upon prejudice and habit, whatever they have been, accustomed to practice for any length of time they imagine must be just, and therefore conclude, that, whatever inconvenience they may suffer from it, they have no right to put a stop to it. If, therefore, we wish to see an evil removed, we must not only point out the cause, and shew the possibility of removing it, but likewise persuade men that they have a right to remove it. The surest way to effect this will be, to shew that they have already asserted this right, by prohibiting transactions productive of similar consequences; for every man must per-

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ceive the absurdity of supposing, that we have a right to prohibit one transaction, on account of its effects, and not every other transaction attended with similar effects: to prohibit, for example, poisoning, but not shooting or stabbing, and every means by which life may be destroyed; or to prohibit highway robbery, but not counterfeiting or forgery, and every other transaction by which one man may deprive another of his property, or the fruits of his labour. It is upon this ground that I shall endeavour to prove the justice and expediency of putting an end to the paper system. Having first proved, that increasing the circulation by means of paper is the principal, if not the only cause, of the great increase of the prices of commodities, so generally complained of, and which is so injurious to every part of the society, but more especially to the poor; I shall shew, that the issuing of bank notes is productive of the same consequences as robbery, as by that means the produce of labour is obtained without labour, and every man in society deprived of a part of his property, or of the fruits of his labour.

To prove that bank notes are the cause of the great rise in the prices of commodities, it will be sufficient to shew, that every alteration in the relative quantities of the circulation and of the commodities in a country, must necessarily produce a similar alteration in their relative value: a proposition, the truth of which is so generally acknowledged that it might appear unnecessary to attempt to prove it; but as it seems to have been but very little attended to, and as it is of the greatest consequence in the present inquiry,
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I shall endeavour to set it in as clear and conspicuous a point of view as possible.

If we suppose an island, containing one hundred families, where the quantity of money is such that each family has one shilling per day, it will be evident, that all the commodities brought to market any one day must be sold for five pounds; and the whole brought to market in the course of the year for eighteen hundred and twenty-five pounds. If from a plentiful crop, or an increase of industry, the quantity of productions should be increased, the prices must fall; for the quantity of money being supposed to remain unaltered, it must be divided into smaller parts, in order to correspond with the increased number of parts in the productions: thus, for example, if the quantity of money set apart for the purchase of corn amounted to one hundred pounds, when the quantity of corn amounted only to four hundred bushels, the price would be five shillings per bushel; but if the quantity were increased to five hundred bushels, the price would be reduced to four shillings per bushel: on the contrary, if the quantity of the productions were to decrease, the prices would be raised. For if there were but three hundred bushels of corn, while the money of the purchasers amounted to one hundred pounds, the price of a bushel would be advanced from five shillings to six shillings and eight-pence.

The effects produced by a plentiful or a short crop on the price of grain, must be well known from constant experience; but perhaps it may not be generally understood, that the alteration in price proceeds entirely from the alteration
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in the relative quantity of the corn, and of the money of the purchasers. Were the quantity of money that could be applied to the purchase of corn, reduced or increased in an equal proportion with the quantity of the corn, the price would remain unaltered; for the price of commodities will always rise or fall in proportion to the demand, and the demand must always be increased or diminished in proportion to the increase or decrease of the money of the purchasers. Hence it will appear, that the quantity of commodities might remain unaltered, and yet a similar fluctuation take place in the prices: for if, on the island we have supposed, the quantity of the circulation were reduced, so that each family should have but sixpence per day, instead of a shilling, all the commodities sold any one day could only bring two pounds ten shillings, in the place of five pounds, and all that was sold in the course of the year could only produce nine hundred and twelve pounds ten shillings, in the place of eighteen hundred and twenty-five pounds; and consequently, if the quantity of the commodities remained the same, the price must have fallen one half.

On the contrary, if the circulation had been increased, so that each family should have had two shillings per day, the prices of all commodities sold on one day would amount to ten pounds, and the whole productions of the year would be sold for three thousand six hundred and fifty pounds. Therefore, if the quantity of the commodities remained the same as when each family had but one shilling per day, the price would be doubled. For as the only use that can be

be made of money is to exchange it for commodities, if the quantity of the latter is not increased in the same proportion as that of the former, either the prices of the commodities must be raised, or the additional quantity of money remain perfectly useless.

That the effects of a variation in the quantity of the circulation are such as have been stated, constant experience has proved. Every person knows that the rate of the market depends entirely upon the quantity of money brought into it: when money is scarce the prices are low, when plenty they are high. Let a few rich men settle in the neighbourhood of a remote village, and the price of provisions will be almost immediately enhanced. This has been particularly experienced by the inhabitants of the small towns on the sea-coast; where, in two or three years after they have become bathing-places, the prices of the commodities of life have been nearly doubled. Had the inhabitants of these towns increased the amount of the circulation, in the same degree that it has been by the new comers, the effect would have been exactly the same; for the price of commodities does not depend on the number of the buyers, but on the quantity of their money. How could we otherwise account for the fact, that in several countries, whose population is equal, the prices of commodities are often higher in one than in another? Or what other reason can be given for the great increase of the prices of commodities soon after the discovery of America, which certainly did not augment the population of Europe; but that the prices depending entirely on the relative proportions of the

the money and of the commodities, the increase of money, by means of the specie brought from America, necessarily increased the price of the commodities. Indeed, what gives any value to money, but its scarcity, and the difficulty of attaining it? It would be of no more value than sand or stones were it equally plentiful, or could it be as easily obtained.

Why do we complain of the high price of provisions? Is it not because we are thereby prevented from having so large a quantity as we could have wished? If then we could at pleasure increase the quantity of our money, we should endeavour to obtain a larger quantity of provisions. But this could not be done; as there is but a certain quantity, without taking from some other person; and as every one would wish to retain at least the quantity that he has at present, if one man increased the quantity of his money every other man would do the same. It must be evident, that this would produce the same effects as bidding at an auction; the price would rise in proportion to the quantity of the money offered. Therefore, if money could be increased at pleasure, it would soon lose its value, or at least be reduced in value, in proportion to its increase of quantity.

We shall be told, perhaps, that those who increase the quantity of their money do not always augment their consumption: supposing this to be the case, it does not alter the general effects of such increase, for no man locks his money up in his chest; if he does not wish to employ it himself he lends it to another: but this latter

latter would not borrow it if he did not intend to make use of it; and what use could that be, but either to purchase commodities or labour? And as that part given for labour would likewise be employed in the purchase of commodities, it must be evident, that through whatever number of hands the additional quantity of money may first pass, it must all ultimately come to market, and consequently produce the same effect as if the fabricator had increased his own consumption.

Since then it has been proved, that increasing the circulation must necessarily increase the price of commodities, it becomes evident, that bank notes, by which the money circulation of this country has been so prodigiously increased, are the real cause of the present exorbitant price of provisions; and such being the case, it must likewise be no less evident, that the banker as certainly robs every other man in the society, by circulating his notes, as by levying a tax, or by putting his hands into their pockets and taking out a part of their money. For there is no difference between enhancing the price of commodities, and lessening the value of money: and a man is equally injured, by having the value of his money reduced, as by having a part of it taken away. But that issuing bank notes is absolutely a public robbery, will be rendered perhaps still more obvious by the following considerations.

There is nothing more certain, than that every man will be able to obtain a share in the productions of the society, in proportion to the quantity of his money, or in the proportion that his

his income bears to all the incomes of the state; therefore, as the quantity of his money is increased, his share of the productions will also be increased. And as there is but a certain and not an illimitable quantity of productions, whatever is added to one man's share must be taken from that of another; consequently, increasing the quantity of money in one part of the society must have the same effect as taking so much from the amount of the money of the other. For example: suppose all the productions of the society to be divided into a certain number of equal parts, of which a day labourer should have one, and every other person a certain number, in proportion to their incomes, so that a person with ten thousand pounds shall have ten parts: if then any number of the labourers, suppose ten thousand, were, by the discovery of a treasure, or the issuing of bank notes, to obtain ten thousand pounds a-piece, each of them would be able to command ten times the quantity of productions that he did before. But where are the ninety thousand additional parts to come from? Must not a new division take place, and a portion be taken from every one of the parts into which they were before divided, in order to make up the additional number of parts? Most assuredly. Therefore, every man in the society, except the ten thousand, would sustain as great an injury as if he had been robbed of a part of his money. If the hundred millions supposed to have been found, or fabricated, instead of being given to the labourers, had been given to those who had money before, the effect would have been exactly the same. For, provided the money be increased, it makes no difference in whose possession

it is, the productions must still be divided into an additional number of parts, to correspond with the additional number of parts in the money. Therefore the banker might, with as much justice, take a certain sum of money out of his neighbour's pocket, as increase his own by means of bank notes.

There is nothing on which men are more generally agreed, than on what is called the RIGHT OF PROPERTY; that is to say, the right that every man has to a share of the productions of the society, in proportion to his property, or the quantity of his money. But how can he enjoy this right, while a few men are suffered to use paper in lieu of money; while a man with ten thousand pounds may make that sum equal to twenty or thirty thousand?

If the inhabitants of a country were divided into two equal parts, each having an equal property, and an equal quantity of money, according to the right of property the productions of the society ought to be equally divided between them; if the one part were to double the quantity of its money, by issuing bank notes, it would be able to obtain two thirds of the productions, and consequently the other could obtain only one third. Or suppose all the purchasers in a fair or market to have each an equal quantity of money, each ought to have an equal share of the commodities: but if one half of them were bankers, and chose to double their money by issuing notes, they would be able to purchase two thirds of the commodities; consequently, those who were not bankers would

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have one third less than they would have had if there had been no bank notes. Had the bankers, instead of increasing their money by issuing bank notes, increased it by stealing one third of the money belonging to the others, the effect would have been exactly the same; those from whom it was stolen would still have been able to purchase one third of the commodities, and they could have had no more if the bankers had doubled their money by issuing bank notes. All the people of England are the purchasers in the market; it must be evident, therefore, that the bankers rob the other part of the society, as certainly (but with much greater ease) by issuing bank notes, as by stealing away a part of their money; or by *force and arms* compelling them to give up a certain part of their property, or, which is the same thing in value, a certain part of the productions of their labour.

Indeed, there appears nothing more surprising, than that the circulating of bank notes should ever have been permitted; as it is not only in direct opposition to all the general maxims that are adopted respecting property, but likewise renders nugatory all the laws enacted for its preservation. Why were gold and silver made the medium for exchange? Why do the laws require that both should be of a certain fineness? And why are men punished with death for debasing or counterfeiting the national coin? Was it not with the view to secure to every man his property, or the fruits of his labour? Gold and silver were supposed to have cost a certain quantity of labour, in order to be attained, and were therefore made representatives in exchange for an equal quantity of

of other labour; and the counterfeiting or debasing of these metals was made death, in order to prevent any man from enjoying the fruits of others labour without labouring himself. But what is the use of such laws, while particular men are permitted to increase their money by means of bank notes? Does it require any more labour to fabricate a *note* than to counterfeit a *guinea*? And does not then the banker obtain the benefit of labour without labouring himself, and thereby rob the labourer of the fruits of his industry, as effectually as the coiner could do? The only difference to be remarked between these two professions is, that the coiner receives immediately *the whole* nominal value of the pieces that he puts into circulation, whereas the banker only receives a *part*. But it will appear, on a little reflection, that this difference is by no means sufficient to turn the scale of profit in favour of the coiner. For as the banker receives the same interest on his *paper* that he could have received on his gold, in the course of about fourteen years he will have realized the whole nominal value of his paper; which will amount to the same thing as if he had circulated an equal quantity of money at the outset. Yet, as there is every reason to believe, that the materials and labour requisite for making the counterfeit money, would have cost at least twenty times as much as that required for making the notes, the banker must have greatly the advantage of the counterfeiter. Yet, whatever may be the difference of their profits, the injury to the public is exactly the same. For provided a certain additional sum of money be brought to market, whether the fabricator reaps all the advantage himself, or shares

shares it with others, a certain proportionate rise must necessarily take place in the price of the commodities of life or trade. Therefore, although the banker gains but one thousand pounds by the circulation of twenty thousand pounds of bank notes, yet, as the whole sum is brought to market, the prices of commodities will be raised in the proportion that those twenty thousand pounds bear to all the money in the market; and, consequently, the other members of the society must be deprived of the same part of their property, or of the produce of their labour, as they would have been by the circulating of an equal sum of counterfeit money.

Is it not surprising then, that the law should regard these two professions so very differently, that while it hangs the poor man, really in want, for fabricating money, it should suffer the rich man, who has got a great quantity, to fabricate still more with impunity? It may perhaps be asserted, that there is this further difference between banking and coining, that the one robs the public at large, and the other only individuals; admitting it to be so, surely it is not saying much in favour of banking. But this is by no means always the case: the money of a skilful coiner circulates in the same manner and produces the same effects as bank notes; and whenever the banker fails, he robs the individual as well as the public. This has often happened, and perhaps one day that partial calamity may become general, for the least breath of suspicion would infallibly ruin every bank in England. In this respect, there is a remarkable resemblance between bank notes and counterfeit money: as long as the false
money

money is not suspected, it passes as current as the true; but the moment suspicion arises the cheat is at an end, and the then possessor must be the loser. Exactly the same is the case with bankers, a general suspicion of their credit would instantly overthrow them all.

The laws made for regulating the profits on money are rendered equally ineffectual by the banker; for as he circulates three or four hundred pounds of paper for every hundred pounds of cash that he has, he actually receives *fifteen* or *twenty* per cent. for his money, instead of *five*, which is the lawful interest.

In like manner, the laws against forestallers, monopolists, &c. become perfectly nugatory: for what were the use of those laws, but to prevent the productions of the society from being engrossed by a few individuals, who otherwise would be enabled to rob the rest of the society, by raising the prices to an immoderate height? But it is only by having the command of large sums of money that men are enabled to monopolize; and while this is the case it will always be very difficult to prevent it. But this difficulty becomes an impossibility the moment that we suffer men to increase the quantity of their money by paper. Hence it must be evident, that bank notes render the laws against monopoly equally ineffectual with those against counterfeiting and usury. Under such an order of things, we might be led to suspect that laws were made rather to *regulate* than to *repress* robbery.

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We shall be told, perhaps, that the robberies committed by bank notes differ from all others, inasmuch as that they tend to enrich the nation: admitting that were the case, and that such a thing was desirable, still it is not the less an evil to those who are deprived of their property, or a portion of the fruits of their labour; but enriching the nation, as it is called, is by no means desirable: such a wish could only have originated in error, into which we are betrayed by forming our judgments from a partial view of things. We perceive that riches bring many conveniences to those who possess them; we therefore conclude, that as a nation increases in wealth it must necessarily increase in happiness; but truly there cannot be a greater mistake, since it is as impossible for one part of the society to grow rich and the other not grow poor, as for one arm of the balance to be raised without the other being depressed. Rich is merely a comparative term. Had all men an equal property, all would have an equal share in the productions of the society, and all would be obliged to labour alike; consequently there would be neither rich nor poor: for the rich man is only he who can command a larger share of the productions than falls to the common lot: therefore, as the wealth or the numbers of the wealthy are increased, so will be the poverty of the poor. In proportion as the luxuries of one part of the society are increased, the comforts of the other will be diminished*.

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* On the proposition, in the House of Commons, for regulating wages, it was admitted, that the labourer who had two children could not possibly maintain them. Was that the case

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But enriching one part of the society does not merely impoverish the other; it tends likewise to lessen the number of the inhabitants. For as the rich require a vast deal more land to support them than the poor, in proportion as the riches or numbers of the rich are increased, the numbers of the whole must necessarily be diminished. If, for example, the number of rich men in this country were doubled, would there not be double the number of country seats, double the number of parks, double the number of horses, &c. &c. than there are at present? But by this means, a great deal of land, that now maintains men, would then be set aside for pleasure-grounds, for parks to fatten deer, and for raising corn and hay to feed horses; and as a horse requires as much land to maintain him as is requisite to support a poor family, so great an increase in the number of horses would of itself cause a great decrease in the number of families. There is no part of the conduct of the conqueror that we contemplate with greater abhorrence than his destroying towns and driving out the inhabitants, in order to make room for his deer. But whoever converts a piece of arable ground into a park, or applies that land to feed a horse that now maintains a family, imitates the conqueror; and whatever be the means by which this is effected, the evil is the same. Riches, therefore, ought to be as carefully guarded against as the sword of the

conqueror; five or six and twenty years ago? Certainly not. The prices of the necessaries of life have doubled since that time; but the wages of the labourer have not been increased more than one sixth. Yet we are eternally boasting of the increase of our riches, though it is evident that the labourer is reduced to beggary!

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conqueror; for the power acquired by the former is equally injurious to the society as that arising from the latter: indeed, the former is by far the most dangerous, as from the silence of its operations the evil is not so soon perceived. The conqueror acts openly, drives out whole towns and villages at once: the danger then becomes conspicuous; every man is upon his guard, and it may be expected that the society will soon unite to repel the tyrant. Money acts differently: it is slower in its operation, but it is not the less sure on that account; it does not depopulate a whole region at once, but wastes the country by degrees. It is not the great tyrant, enclosing an hundred thousand acres in one place, but the many hundred little tyrants, enclosing their thousands of acres in different places. But the nature or weight of the evil is not changed, whether a hundred men are driven out from one place or from a hundred different places; or whether they are driven out by the sword or by the obnoxious power of riches. If the increase of riches in England has not reduced the number of the inhabitants, it has certainly increased the number of the poor: of this no one, who will take a comparative view of the poor rates now with what they were but five and twenty years ago, can entertain the least doubt; they will find, that their increase has kept pace with the increase of our riches, or paper money. In Scotland, the effects of this system have been still more conspicuous; for, besides the increase of their poor, great numbers have been forced to emigrate. The poor highlander has been driven from his farm, in order to make room for sheep, to supply the increased demand of his more fortunate

fortunate neighbour! Such has been the necessary consequences of suffering men to multiply their money by bank notes, and other similar means: they have been thereby enabled to engross so large a portion of the productions of society, as have either reduced them to beggary, or forced others to emigrate, who have had no means of increasing *their* incomes.

The reason that the nefarious system of making paper pass for money, has attracted so little attention hitherto, seems to be, that the evils arising thence have been attributed to another cause: the increase of the taxes has generally been supposed the cause of the great increase in the price of commodities; but this, on examination, will be found to be a great mistake.

Were all taxes levied directly upon income, they could produce no effect whatever on the price of commodities; for as the prices must depend upon the demand, and as every man's demand must depend upon his income, the whole demand, or the prices of all the commodities, must likewise depend upon the sum of all the incomes. A tax, therefore, which merely alters the distribution, without increasing the sum of the income of a state, as is the case with a direct tax on income, could never vary the price of commodities.

The rate of the market, as has been already observed, does not depend upon the number of the purchasers, but on the quantity of their money; while that, and the quantity of commodities, remain without variation, the price

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will be invariable, whether the number of purchasers be great or small, or however unequally the money may be divided among them. If, for example, the number of buyers in a market amounted to one hundred, with twenty shillings each, all the commodities must be sold for one hundred pounds: if, instead of the hundred with one pound each, fifty had gone to market with two pounds each; or if a tax had taken five shillings each from the one fifty and added it to the other fifty, it could have made no alteration in the price of commodities, for the sellers could only have got the hundred pounds. Suppose that, in a nation where all the incomes amounted to one hundred millions, the government should levy a direct tax of ten millions, it is evident that every man's income would be reduced one tenth; if, therefore, the quantity of commodities remained the same as before the tax, the prices must fall one tenth, or else the commodities remain unsold. But if the ten millions taken from the whole, were added to the incomes of a few, the aggregate income of the state would be again restored to one hundred millions, and consequently the price of commodities would remain the same as it was before the tax was levied, but could not possibly be increased. The price of commodities, therefore, can only be affected by indirect taxes, which, by being levied on articles of consumption, must create a fictitious increase in the national income, in the same manner that bank notes do: for as taxes raised in this way do not reduce men's nominal incomes, the sum of all the incomes in the state is increased equal to the amount of the taxes.

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It is the observing of this effect of indirect taxes, which has made some men imagine, that increasing the taxes increased the national riches: and others assert, that as we increased our debts we increased our abilities to pay them; whereas the truth is, that, considered as a nation, we are neither enriched nor impoverished by taxation, for the real riches of a nation are its productions, and while the quantity of them remains without either increase or decrease, it cannot be justly said to grow either richer or poorer, whatever may be the fluctuation of the nominal income, or whatever alteration may take place in its distribution.

It will always be in the power of a nation to raise its nominal income to what height it thinks proper, either by taxation or by increasing the circulation. If in a society of one hundred individuals, with an income of one hundred pounds each, a tax of ten per cent. was laid on all commodities, and the produce divided among them, each of their nominal incomes would have been increased one tenth: had the tax been twenty or a hundred per cent. the increase of income would have been in the same proportion. Or if in the place of levying a tax, each of them had doubled the quantity of his money by means of bank notes, the effect would have been the same, the nominal income would have been doubled. But it must be evident, that as long as the amount of the taxes, or of the increase of the money, be equally divided among them, not one of them can be in the smallest degree benefited by the increase of his nominal income: for as the increase in the price of commodities

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in those cases would have been in exact proportion to the increase of the taxes or quantity of money, two hundred pounds could have purchased no greater quantity than one hundred pounds did before the increase.

In proportion as the *nominal income* is increased, the *nominal amount* of taxes may also be increased; for if one thousand pounds of taxes can be raised, when all the incomes amount to ten thousand pounds, when they are increased to eleven thousand, eleven hundred pounds may be raised. For want of attending to this consequence of the great increase of our nominal income, and principally by means of bank notes, has it been that those have been deceived who have speculated upon the probable extent to which the national debt may be carried. There is no doubt but that it may be increased by degrees to almost any amount; but it is not the less an evil on that account, nor is the majority of the nation the less oppressed by the taxes, or the circulation of bank notes; for it must be evident, that all those whose incomes are not increased in exact proportion to the increase of the sum of all the incomes, must be losers by it: for if, in the society we have supposed, the ten per cent. levied on all the commodities had been given to ten, instead of being divided equally among the whole hundred; or if in place of each man doubling his money by means of bank notes, ten only of the number had increased their own money tenfold, the other ninety would really have lost, in the one case one tenth, and in the other one half of their property; so that although with every new tax, or every fresh issue of paper,

paper, the nominal value of the national income would be increased, the real value of their incomes, who had no share in the produce of the taxes or paper, would be diminished. That such has been the case in England must be well known, from the experience of the great body of the inhabitants. Although the *nominal value* of their incomes have remained nearly the same, the *real value* has been reduced at least one third, within the last five and twenty years. But the share that taxes have had in this reduction hardly deserve mentioning; for all those levied within that period do not amount to one tenth part of the whole increase on the nominal value of all the commodities*. Besides, as it has been proved,

* In the year 1769, the productions of agriculture were estimated at eighty-three millions; but the difference between their value in the raw state, and that in which they are fit for consumption, must be very considerable. The difference of value between wheat and bread, and that between barley and malt, must be at least one-fifth. The difference of the price of cattle alive and dead; and between tallow and candles, is much greater; but that between wool and cloth, hides and leather, is incomparably greater still. If, in addition to this, we make allowance for the vast improvements in agriculture since that time, it will be evident, that the value of all the productions, when fit for consumption, must have exceeded one hundred millions, at the prices they were at in 1769, which were as follows: wheat 40s. barley 17s. oats 15s. beans 24s. But in January 1796, the prices were, wheat 86s. barley 35s. oats 24s. beans 44s. which, making allowance for the difference between the value of wheat and barley, and that of oats and beans, makes it evident, that, upon the whole, the prices have more than doubled; so that the nation has payed upwards of one hundred millions more for commodities on which no tax has been levied, in 1796, than what it payed in 1769. The prices of sugar and rum have been likewise doubled since that time, although the additional duties amount to a mere trifle. All other articles of consumption

proved, that taxes can only affect those commodities on which they are levied, it must be evident, that the increase in the prices of all commodities on which no taxes have been levied, especially on all the articles of the first necessity, where the increase has been greatest, can proceed from nothing but the great increase in the circulation by means of bank notes.

From what has been already advanced, the injustice and ruinous consequences of this system must be sufficiently obvious; but, as it is probable, that it has been supported and encouraged, rather from an opinion of its promoting some particular interest not immediately connected with it, than from ignorance of its general tendency, I shall endeavour to point out, more distinctly, its effects upon the different classes of society.

Great pains have been taken to prove, that the *landed* and *monied* interests are inseparable, and that promoting the one must necessarily promote the other; but certainly nothing can be further from the truth. For as there is but a certain quantity of power, consequence, or riches, in a state, whatever may be the numbers among whom the power is divided, or whatever may be the nominal sum of the riches, it must be evident, that whatever one party gains the other must lose. Suppose, for example, that all the lands

tion have been raised likewise, nearly in the same proportion as those above mentioned. Hence we must see the absurdity of attributing to ten or twelve millions of additional taxes an advance on the prices of commodities, which amounts at least to ten times that sum.

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in England were let for a term of twenty-one years, for a rent of twenty millions, at a time when the revenues arising from money amounted to the same sum, would not the landed and monied men have an equal share in the productions of the society, and in the influence or power arising from wealth? But if the monied men were, during that period, to double their incomes, by increasing the quantity of their money, at the end of twenty-one years their respective power and wealth would be but as one to two; that is to say, the landholders would have one third less of the productions of, and the influence in, the society, and the monied men one third more than they had at the beginning of the above period: thence it is obvious, that the bankers, by increasing their own incomes through the means of their notes, do absolutely rob the landholders of a part of their power, and of a part of their property. It may perhaps be alleged, that increasing the circulation raises the value of land; and so it may *nominally*, but not *really*. There may be more money given in exchange, but the value of that money will remain the same. For, what is the reason that a greater number of pieces of money are given for an acre of land, but that the money has lost so much of its relative value? Therefore, although a landholder, who wished to sell his estate, might receive one hundred and ten pounds instead of one hundred pounds, yet, as money would have lost so much of its value, in employing it in any other way, except in paying an old debt, the hundred and ten pounds will go no further than the hundred pounds went before the advance took place.

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The effects of an increased circulation, in raising the rent of land, are of no more service to the landlord than the increase of the nominal value; for, suppose his lands to be let for a term of twenty-one years, he cannot raise his rents till the end of that term, though the value of his income must have been gradually decreasing. For if one hundred pounds would have gone as far in the maintenance of a family at the beginning, as one hundred and ten will at the end of the term, he must have lost, upon an average, five pounds a year, if the increase of the circulation had been regular; and although he should raise the rent, at the expiration of the lease, to one hundred and ten pounds, it would by no means make up for the loss he had sustained, nor prevent a future loss; because, while the circulation continues to increase, as he can only bring his estate to par with that increase once in twenty-one years, he must always be a loser in the intermediate time*. Therefore it is evident, that the land-holders reap no benefit whatever from the increase of the circulation, but, on the contrary, sustain a certain loss. That their losses are not much greater, or that they have the power of raising their rents to such a height as they do, is owing to a cause which ought not one moment to exist: I mean the corn laws, the most iniquitous system that ever was adopted; being solely calculated to protect the interests of the few at the expence of the many.

* This is so well understood, that some gentlemen have formed the resolution to stipulate, on renewing their leases, to have one half of the rents paid in grain; in order that they may be able to keep their rent at par with the price of commodities.

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Is it not extremely hard that the land-holders, still dissatisfied with the possession of the lands, should compel those who have no lands to purchase the productions of them at what price their owners please to set upon them; by not only preventing the importation of corn, but even taxing their fellow-citizens to pay for its exportation, in order to keep up the price! This is giving one part of the community a monopoly against the other, which is contrary to every principle of justice. By this means the value of the poor man's labour, which is his only property, is greatly reduced; for if the importation of corn were free, he could purchase bread cheaper, and of course would get more in exchange for his labour. And if the Americans or other nations could freely exchange their corn, they would take more of our manufactures; consequently there would be a greater demand for labour, which demand would raise its value. So that to enable the land-holder to raise his rents in proportion to the increase of the circulation of money, thereby to throw off a part of its evil consequences, the poor man is obliged to put up with a double portion of them.

All those who have fixed revenues, such as stock-holders and annuitants of all kinds, servants in the different departments of government, officers in the army and navy, &c. &c. must have sustained a much greater injury than the land-holders; for the latter have raised their rents, but the former have not increased their annuities or salaries. What their loss has really been, it is difficult to determine exactly; but whoever will take the trouble to compare the expence of

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house-keeping at present, with what it was five and twenty or thirty years ago, will find that, if he has had a fixed income during that period, it has been reduced at least one-third in value by the circulation of bank notes. The loss sustained by the army and navy is incomparably greater; it is so long since the officers' pay was established, that it cannot now be worth one-third of what it was originally; but whatever the losses have been, they must constantly go on increasing, for, as they have no means of raising this nominal value of their incomes in proportion to the decrease in the real value, they are exposed a helpless prey to the depredations of bankers. The landholder, by raising his rent, partly indemnifies himself on the rest of the society, and, in a small degree, retaliates on the banker; but the officers and annuitants are pillaged without the least danger of retaliation. All money-lenders (bankers excepted) are in one respect in the same situation as annuitants; for as they have not been able to increase the interest on money, they cannot have indemnified themselves for the loss they have sustained by the depreciation. But there is every reason to believe, that the interest on money has been lowered in many cases, or at least prevented from being so high as it otherwise would have been; for as the value of money, like that of every thing else, depends upon the demand, the interest on money must fluctuate in proportion to the fluctuation in the relative numbers of the borrowers and lenders, or in the relative quantities of the money wanted to be borrowed, and that which is to be lent. If any number of the lenders increase the quantity of their money, it will produce the same effect as lessening the number of the

the borrowers. For suppose any person were to apply for six hundred pounds to a banker who had got but one hundred, if he could not issue paper, he would be obliged to borrow five hundred pounds of somebody else, in order to make up the sum; but if with one hundred pounds in cash he could circulate three hundred pounds of paper, he would then only want to borrow two hundred pounds; therefore the circulating of bank notes must lessen the demand for, and the interest on money: consequently the money-lender sustains a double injury, as his income is not only reduced in value but reduced in quantity.

People in trade, whether merchants, or manufacturers who trade on real property, are affected nearly in the same manner as the money-lenders; for as the share a man has in the trade of a country, and consequently in the profits arising from trade, must always be in proportion to the share he has of the capital employed in trade, so in proportion as the capital is increased, his share of trade and profit must be diminished; therefore the banker, by circulating bank notes, deprives the man of real property in trade of a part of his profits, at the same time that he reduces the value of the whole.

It may be asserted, perhaps, that increasing the circulation has increased the quantity of trade, but that does not mend the matter; for as an increase in trade as well as in every thing else must decrease its value, that is to say, reduce the profits arising from any part of it, unless a man has a share in the increased equal to what he had in the original capital, he is not at all benefited by the extension.

tion. But in order to do this he is obliged to extend his trade beyond his capital; and thus a system of credit and speculation has been introduced, which has rendered all property in trade insecure: for when men have once recourse to paper, which they must have when they go beyond their capitals, no bounds can be set to speculation. If there be an advantage in issuing one hundred pounds, there is still a greater in issuing two hundred pounds. Every man therefore endeavours to circulate as much paper as possibly he can; the consequence of which is, either to over-stock the market with those commodities, whose quantity may be rapidly increased, such as manufactures of hardware, cotton, &c. &c. or so greatly to enhance the prices on the first purchase of commodities which cannot be so rapidly increased, such as the productions of agriculture, sugars, &c. that they are constantly in danger of being ruined by a fall in the price. And as the only way to keep up the prices is to bring the goods slowly to market, when once they have begun they must go on with their drawing and their re-drawing as far as possible; but if they cannot hold out long enough to bring their commodities to a price sufficient to cover not only the first cost but the interest on their paper, they must become bankrupts, and then such a quantity of commodities comes to market at once, that it must necessarily lower the price; by which means, not only the speculator upon property, but the trader on real property, is always liable to be ruined. This was, no doubt, the cause of the great bankruptcies in 1793, in which, if government had not interfered, they must have become almost universal. Nevertheless, by this interference the nation has been most grievously oppressed,

oppressed, for the issuing of six millions and a half of Exchequer bills did not only act as a tax, by reducing the value of money, but by giving the merchants time, it enabled them to reap the fruits of their monopolies, and to levy a tax on the nation of at least thirty, but most probably of fifty millions; for it is to this that we are principally indebted for the immense rise in the price of commodities since that time.

That such must have been the consequences might easily have been foreseen; for from the loan itself and the terms on which it was granted, two things must be apparent: first, that the commodities did not, properly speaking, belong to the merchants in whose possession they were, but had been engrossed by them on speculation by means of paper; and secondly, that this speculation was with a view to monopoly. If this had not been the case, and if they had really goods equal to double the amount of their debts, would not they have brought a part to market equal to the sum of money that they wanted, rather than have pawned double the quantity? But it is probable that the property in their possession, far from being double, did not, at a fair price, amount to the sum of their debts; therefore nothing could save them from bankruptcy but the skewing their commercial property up to a monopoly price. With this view it was of little consequence how much of the commodities was pawned, for their only aim was to keep them out of the market: this they were enabled to do by the assistance of government; for as the money or paper borrowed of government served to pay their

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first bills, they were left at liberty to bring their goods to market as slowly as they thought proper*.

That the loans from government co-operating with the vast increase of paper since the beginning of the war (and not any real scarcity) has been the cause of the enormous rise in the price of provisions since 1792, must be evident, from the fall of near forty per cent. on the price of corn in the month of April last. For no other reason could be assigned for such a fall in the price, but the temporary derangement, which, as appears from the application of the merchants for relief, at that time existed in the paper system. Had not the minister again stepped into their aid, by withdrawing some of his own paper to make room for theirs, and by laying on additional taxes, enabling the bank to circulate so much more of their paper, the price of corn would have been much lower now than what it is; and thus we are not only pillaged by the circulating of paper, but are made to assist in robbing ourselves†.

* Which ought we to admire? The ignorance or effrontery of the Chancellor of the Exchequer. He complained of the high price of sugars, after having lent the West-India merchants fifteen hundred thousand pounds to enable them to raise the price. That it must have produced this effect was evident; that it has produced it we know from experience. Sugar and rum have been raised in price at least 30 per cent. since the merchants received the loan.

† On the 15th of March the price of wheat was ninety-five shillings; but by the 12th of April, when the merchants applied to government for relief, the price had fallen to fifty-eight shillings. The arrangements for their relief were proposed in parliament the 18th of April; and on the 17th of May the price of wheat had again risen to seventy-seven shillings!

Various

Various causes have been assigned, for what is called the distress in the commercial world, but certainly without foundation, for the whole proceeds from paper; for as a certain quantity of cash is requisite to make it circulate, when the quantity of paper has been greatly increased there must be an apparent scarcity of cash. That this is the real cause must be obvious, for in 1793, no exportation of money was alleged to have taken place, yet the distresses and embarrassments were as great then as they were in 1796; and there is no doubt but that, while this nefarious system is continued, as no bounds can be set to speculation, distresses and embarrassments will be felt at irregular periods. This must render all property in trade very precarious; and hence it becomes evident that paper must be injurious to the man of real capital in every respect.

In enumerating the different ways in which the different classes above mentioned are affected by bank notes, I have neglected one that is common to all. I mean the increasing the poor rates, which is a necessary consequence of the great rise in the price of provisions; for all those who had but just sufficient to maintain them before the rise took place, must have starved if the difference of price had not been made up to them by additional rates: but whatever may be the injury done to the rich, the injury sustained by the labouring part of the society is by far the greater, for the rich are only deprived of superfluities, but the labourer is deprived of necessaries. Besides, as the advance of price has been much greater on necessaries than on superfluities, every man is affected by it in proportion to the part of his income employed in either:

either : consequently it falls hardest on the smallest incomes, where there must be the greatest portion applied to the purchase of necessaries. The labourer, therefore, whose whole income is employed in this way, must be the greatest sufferer. The injustice done by the circulating of bank notes to this class, is, if possible, more palpable, than that done to any of the others. For although the injustice of depriving any man of that share in the productions to which he is entitled by his property must be sufficiently obvious, yet the injustice of depriving the productive labourer, the man by whose labour the whole society is supported, of any part of the small share he has at any time been allowed to retain of the productions of his labour, must be particularly striking. What words, for example, could we find sufficient to express our indignation at the conduct of a set of men who should combine to deprive the labourer of a part of his wages? Yet this the bankers have positively done; for there can be no difference, whether they take a part or reduce the value of the whole; whether they take four-pence out of a shilling or reduce the value of that shilling to *eight-pence*. The wages of the labourer will not now purchase two thirds of the quantity of provisions that the wages he had five and twenty years ago could have purchased; therefore the bankers, by issuing their notes, have as effectually robbed him of one third of his wages, as if they had put their hands into his pocket and stolen it, or formed a combination in order to reduce his wages. Whatever the reduction may be at present, it must go on increasing: for as machinery seems to increase with the circulation, he can have no hopes of obtaining any proportional

proportional increase in his wages; so that if banking is suffered to continue much longer, the labourers must either starve or be supported by the parish. This is the case at present with great numbers; for there is hardly a manufacture in England where a part of the labourers do not receive some aid from the parish*. Yet still we are told of the benefits of our commerce! of the flourishing state of our commerce! But what is that commerce worth that cannot support those who are employed in carrying it on? The merchants of England may indeed be allowed to boast of the benefits of commerce; for they not only tax the community, as in other countries, by the profits on their goods, but likewise tax it to pay for making them. But notwithstanding all the advantages that it enjoys, it is nothing less than in a flourishing state. The commerce of England at present can only be compared to an old ship finely painted; it makes a brilliant appearance, but it is quite rotten at the bottom. This must be evident, from what took place in 1793 and 1796. Not all the assistance derived from the poor rates in the fabrication of goods, not all the bounties,

* The Chancellor of the Exchequer, sensible that the poor cannot remain much longer in their present state, in order to prevent the rise in the price of labour, proposes to enable every poor man to demand a certain sum of money from his parish in proportion to the number of his family. This is neither more nor less, than a tax on people out of trade for the benefit of those in trade. The merchants and bankers, by means of their paper, first levy an enormous tax on the society at large, by raising the price of provisions; and then in order to prevent their feeling the effects of this increase in a foreign market, a second tax is to be levied to pay in part for the fabrication of their goods for exportation! Ought we to wonder that ministers receive so much support from merchants; or that merchants are so grateful?

not all the exclusive privileges, not even the immense robberies committed by paper, were found sufficient to support commerce at those times. Nothing but the strong hand of government could save our principal merchants from becoming bankrupts. These commercial distresses, as has been already observed, proceeded principally from the paper system, which, indeed, will appear on examination, to have occasioned more evils in modern times than all other causes put together. To this, in addition to the evils already enumerated, it will be found we are principally indebted for the frequency of our wars. For bank notes not only enable ministers to contract debts and raise supplies, with infinitely greater facility than they otherwise could do; but render war absolutely necessary for promoting the interest of a very powerful body of men. I mean the *money-lenders*; and particularly the *bankers*.

It has been shewn, that an increase of the quantity of money to be lent, without a similar increase of the quantity wanted to be borrowed, must necessarily reduce the interest; therefore if the demand for money were not from time to time increased, the constant increase of the quantity to be lent, by means of bank notes, would in time reduce the interest to almost nothing. War is the only effectual means for increasing the demand, and raising the interest on money. *War therefore becomes the interest of all money-lenders.* The bankers, from their having a great deal of money belonging to other people, which they cannot well employ but in such a manner as to be able to call it in on any emergency; will always be investing large sums in the funds; and as the interest which they receive

will be high in proportion as the prices of stocks are low, war, which reduces the prices, must to them be particularly desirable. *But the Bank of England has an interest in war distinct from that of other banks.* For as all the money raised by taxes is lodged there, the revenue becomes a fund for circulating the notes of the bank. And as the profits of the proprietors depend upon the quantity of their paper in circulation; and as that must depend upon the largeness of their funds; war, which by increasing the national debt and taxes, increases their funds, must greatly contribute to their advantage. Now, even if war were not so immediately for the advantage of the bankers, still they would be obliged to support it if the minister thought proper; for as their very existence rests on a deception, it is in the power of a minister to annihilate them in a moment: they are therefore as much at his command as though they depended on him for their daily subsistence. Nor is it to be supposed that men who get rich by the plunder of their neighbours, can have many scruples in promoting the designs of others, however pernicious, even when their own interests are but little concerned; but when they are greatly so, as has been shewn to be the case in regard to war, there can be no doubt of their most cordial support being obtained. The purpose to which the produce of the taxes is applied by the Bank of England, makes them fall with a vast accumulation of weight on the society; for by being made to circulate a quantity of paper equal to three or four times their amount, they are made to command three or four times the quantity of labour, or productions they otherwise would do. This likewise accounts for the facility with which one loan is raised

raised after another. For the ease with which any sum of money can be borrowed, depending upon the quantity of money in circulation, as every new tax increases the circulation by being made the basis for circulating an additional quantity of paper, in proportion as our debts and taxes are increased, so will be the facility of borrowing money.

Thus, under whatever point of view the subject is considered, the injustice and ruinous consequences of the nefarious practice of substituting paper for gold, must be sufficiently obvious. By this means every man has been robbed of a part of his property, or of the produce of his labour. By this means the distresses of the poor have been greatly increased; and there is every reason to believe that by this means war has been rendered much more frequent than otherwise it would have been. It must therefore be the wish of every honest man to see it abolished; but we must not content ourselves with wishes, we must exert all the means in our power in order to remove so great an evil. The interposition of government is the only effectual means of removing it, and that we must endeavour to obtain: but although government should refuse to interpose, yet a great deal might be done by individuals. If, for example, gentlemen would keep their money in their own possession, instead of leaving it in the hands of bankers, a great fund would be removed which is now employed in circulating paper; and if they were at all times to refuse bank notes, especially in the payment of their rents, a wonderful check would be given to their circulation. It is probable that this alone would be sufficient to bring

down

down provisions to the price they were at twenty years ago*. But if this were not the case, it might be expected that the danger people incur of losing their property, would prevent them from leaving their money in the hands of bankers, or from taking their notes: for there cannot be a doubt, but that any serious shock given to public credit would infallibly ruin them all. We ridicule our ancestors for suffering themselves to be so egregiously imposed upon by the *South-Sea Bubble*; but the *Bank-Bubble* is in every respect as great an imposition, and rests upon as sandy a foundation. For as there is not cash enough in the kingdom to discharge one tenth, or probably not one twentieth part of the paper in circulation; if, from an insurrection, a threatened invasion, a defalcation in the revenues, or from great bankruptcies, such an alarm were given to the public, as to create a general run, all the banks in the kingdom must instantly stop payment. Men are

* There is nothing now to be seen among farmers but paper. Formerly (it has been said) the farmers carried *purses*, but now they carry nothing but *packet-books*. A gentleman, on whose authority perfect reliance may be had, affirmed, that for one hundred and ten pounds rent, which his tenant had to pay, he brought no less than one hundred and five pounds in five-guinea notes! This gentleman complained of the high price of provisions. But must it not be evident that such is a necessary consequence of the farmers having taken so many bank notes; had he not taken bank notes, his corn must either have remained unsold, or have been sold cheaper. Gentlemen who leave their money in the hands of bankers, or who take their notes, act like gamblers who lend their money to play against themselves; with this difference, that whereas the latter may win back their money, the former must lose to a certainty: for not only their own money, but paper, to three or four times the amount which it will serve to circulate, will be brought to market against them.

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constantly saying to themselves, that as soon as they have any cause for suspicion, they will immediately go and get cash for their paper: but if ever they should have occasion to try, they will find themselves woefully mistaken. The moment suspicion begins, the whole paper system will tumble to the ground; and all those concerned will inevitably lose their property*. This consideration, if there were no other, ought to be a sufficient motive for adopting the measures that have been proposed: but it should likewise be observed, that by a contrary conduct, we as certainly abet public robbery, as by giving currency to counterfeit money. However, if nothing can induce us to take the steps that are in our power, for preventing the circulation of paper, let us cease to complain of the consequences. Let no

* We are told (see "Brome's Observations on Paine") that although the bank has not cash to pay its notes, yet the holders need not be afraid. for that there are various ways of preventing its becoming bankrupt. The gentleman has not told us what these ways are; one of them, however, we know from experience; and if we may judge of the rest from that, it will not afford much consolation to the holders. The method was this; in lieu of stopping altogether, they pretended to pay in sixpences. The consequence of which was, that the great majority perceiving the impossibility of getting paid, went home with their notes; and with a little time and management the alarm was allayed. This was but a mean swindling trick, to which men, of either principles or honour, would have disdained to have recourse; it was adding insult to injustice: but were it tried a second time it would undoubtedly fail. The quantity of paper then in circulation was but trifling to what it is at present, beside, as the Bank of England was the only circulator of notes at that time, they could derive assistance from other bankers; but that is not the case at present. Every banker circulates more paper than he could possibly pay, if there were any thing like a general demand.

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man, henceforth, who either leaves his money in the hands of bankers, or who takes their paper instead of gold, complain of the frequency of war, of the high price of provisions, or of the distresses of the poor; for these are the necessary and inevitable consequences of suffering men to increase the quantity of their money at pleasure, by means of bank notes.

F I N I S.

