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A
LETTER
TO
A MEMBER OF PARLIAMENT;
OCCASIONED BY THE PUBLICATION OF
The Report
FROM
THE SELECT COMMITTEE
ON
THE HIGH PRICE OF GOLD BULLION.

By JASPER ATKINSON, Esq.

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LETTER,

Ec.

SIR,

So much conversation, and, I may be allowed to add, so much surprise and anxiety, have been excited by the publication of the Report of the Bullion Committee, that having, as you know, thrown together some observations on questions of a similar nature a few years ago, I have been induced to consider the Report with some degree of care; and I have thought that it might not be disagreeable to you to call your attention to it, as a subject not only generally interesting, but one likely to occasion much parliamentary discussion.

Since the year 1802, when I drew up the "Considerations on the Propriety of the Bank of England resuming its Payments in Specie,"

many important and extraordinary events have happened, and a great change of circumstances has taken place; yet much of the reasoning which then occurred is still equally applicable; and you will readily believe, that, unless my sentiments were totally altered, I could not, without much concern, see opinions, such as are stated in the Report, brought forward under the high sanction of parliamentary authority.

I can conceive few circumstances more alarming than the depreciation of our currency, if the fact were so; and an unqualified assertion of it, upon high authority, is very capable of producing it, although it did not before exist; and can scarcely fail to aggravate it, if it before existed in any degree whatever. Upon such a question, which is in its nature abstract, and turns upon points to which few persons, comparatively, have attended, by far the greater part of mankind will be more disposed to follow the dictates of authority, than the deductions of their own reason.

On this account, I am so far from being surprised at the sensations which the Report has excited at home, and the still more unfavourable impression which I understand from various quarters, it has made *abroad*, that I

should rather have expected it to produce a still greater effect.

How far the Committee appear to have formed their judgment rather upon preconceived opinions than on the evidence before them, I shall have occasion to point out in some instances as I proceed. That they were not satisfied with the evidence is apparent from the manner in which they speak of it, viz.

“Your Committee need not particularly point out in what respects these opinions, received from persons of practical detail, are vague and unsatisfactory, and in what respects they are contradictory of one another.” And again, page 12, in concluding these remarks, “Your Committee are disposed to think, from the result of the whole evidence, contradictory as it is,” &c.

There appears, indeed, a species of favouritism in one instance, where the Report contends for the opinions entertained by “A Continental Merchant,” who is nameless; while almost all the other persons who were examined, although men of high character, and well known to possess a real interest in the commercial and political welfare of the country, seem light in the scale, compared with this gentleman.

Now, though the known rule of law, that

a counsel is not at liberty to discredit his own witness, may not, in strict form, apply to a parliamentary committee, it can hardly be denied, that to do so, is a pretty strong presumption of a weak case.

In questions of so doubtful and difficult a nature, I cannot forbear observing with how much diffidence a former Committee, composed of men, not, perhaps, inferior to any of the present day in talents and experience, have thought fit to express themselves. The Report of the Committee of Secrecy of the Lords, appointed to inquire into the causes that produced the Order of Council of the 26th February 1797, concludes thus:

“The Committee, being desirous of confining themselves to those matters on which they have thought proper to call evidence, and sensible of the difficulty (even at all times) of appreciating the extent and influence of alarms, forbear from adverting to the effects produced upon the state of pecuniary transactions and circulation by the apprehensions of invasion generally prevalent towards the close of the last year, and in the beginning of the present; but of which the operation must, doubtless, have been considerable.

“Nor will they attempt to estimate how far the interruption given to the banking operations of many great commercial cities, by the troubles and calamities which have agitated Europe, and the entire ruin of many commercial houses and establishments, may have tended to derange the accustomed course and confidence of general circulation.

“The Committee think it sufficient merely to enumerate considerations of general notoriety, and to submit them, without further observation, to the consideration of the House.”

Although I do not presume to blame the decided tone assumed by the present Committee, I may be allowed to commend the caution observed by the former.

One of the leading errors into which the Bullion Committee appear to me to have fallen is, that of mistaking a state of things, of which we have examples, for one wholly novel and unprecedented; and of searching for remote and speculative causes of effects, which could be traced to such as were obvious and usual.

I shall, therefore, endeavour to treat the subject entirely on the grounds of practice and experience, without attempting to enter further into abstract inquiries, than such a view of it

necessarily requires. I purpose to follow, in general, the order suggested by the Report itself; and shall attempt to show, that the unfavourable state of the exchange, and the high price of bullion, may be ascribed to the same causes as have produced similar effects in former instances:—that there is no reasonable ground for assigning them to any thing extraordinary in the present state of our internal currency;—that there is no reason to suppose an excess in the paper of the Bank of England;—and that the increased profits of the Bank for some years past may be accounted for on fair principles, consistent with the utmost caution in limiting the amount of its issues, and without any departure from its former rules of business.

I think it will also appear, that many circumstances noticed by the Committee would produce results different from, and sometimes opposite to, those which they have pointed out; and I shall advert to those cases to which the Committee refer as analogous to the present, and by which in part they seem to me to have been misled.

It is in evidence before the Committee, that the unfavourable situation in which we stand, both in respect to our metallic currency, and

the foreign exchanges, arises out of the state of our payments abroad; and yet they make no mention of such a cause in their remedial recommendation.

I am very apprehensive, that if the causes which occasion the export of our bullion, and affect the prices both of bullion and the exchange, be not of a nature independent of our internal circulating medium, no regulation could be devised to give us any relief. My opinion is, that the melioration of the foreign exchanges will remove the evil; and that this will be brought about by the same means as have been found, by experience, to influence them on former occasions; and no other. The Committee conceive, that they have found a new road to the same end; and this, with all due deference, it is proposed to examine.

How to increase the metallic currency, and, at the same time, correct a formidably unfavourable balance of payments abroad (which, if I rightly understand the Committee, they would recommend as a joint operation), unless we can discover the art of restoring an *intrinsically* favourable balance of trade, is a problem which they have not solved. Whenever national policy and national safety can

leave its full advantage to our industry, the balance of trade will be governed by it, foreign debts will be paid by it, and metallic currency may be restored; but, until that much-wished-for time shall arrive, we must conform to circumstances, and steer as evenly as we can between opposite dangers.

Cases may occur, wherein the direct interference of Government may be more or less necessary, to bring the commercial vessel into an even course, and to keep it there. It is possible that they now occur, although I do not perceive them. If it be so, let us take care, practically, that our remedy be applied to the seat of the disease, and not to any sound part of the body; lest we create new evils, without removing those which may already exist.

In the second paragraph of the Report, speaking of the relative price of gold at former periods, they say, "Your Committee have found that the price of gold bullion, which, by the regulation of His Majesty's mint, is 3*l.* 17*s.* 10½*d.* per ounce of standard fineness, was, during the years 1806-7-8, as high as 4*l.* in the market. Towards the end of 1808 it began to advance very rapidly, and continued very high during the whole of

"1809, the market-price of standard gold fluctuating from 4*l.* 9*s.* to 4*l.* 12*s.*."

It is further stated, page 4, that, upon referring to the *tables published*, they found that, from the middle of 1773 till about the middle of 1799, the market-price of standard gold in bars remained *steadily uniform* at the price of 3*l.* 17*s.* 6*d.* with the exception of one year, from May 1783 to May 1784. And also, that it was stated, by Mr. Newland, before the Committee of Secrecy, in 1797, that the Bank had frequently been obliged to buy gold at higher than the mint-price; and, upon one occasion, had given as high as 4*l.* 8*s.* for a small quantity. Upon this statement the Committee come to the following pointed conclusion: "But your Committee find, that the price of standard gold in bars was never, for any length of time, materially above the mint-

* Prices of Gold from 1796 to 1810, viz.

The lowest, 3*l.* 17*s.* 6*d.*

The highest, 4*l.* 12*s.* 10½*d.*

making about 20 per cent. advance.

Prices of Silver from 1796 to 1810, viz.

The lowest, 5*s.* 2*d.*

The highest, 6*s.* 1½*d.*

making about 18 per cent. advance, and taking a medium high price of 5*s.* 9*d.*; then an advance of about 11½ per cent.

“price, during the whole period of twenty-four years, which elapsed from the reformation of the gold coin to the suspension of the cash payments at the Bank.”

In reply to which, I beg leave to state the following facts; for which I have no data, but such as were equally accessible to the Committee: The Bank paid for gold, in the course of the year 1783, from 3*l.* 17*s.* 9*d.* to 4*l.* 1*s.* per ounce; and Mr. Newland's evidence, to which the Report refers, states, that the Bank had paid for gold, at different periods, 4*l.* 1*s.*, 4*l.* 2*s.*, 4*l.* 6*s.*, and as high as 4*l.* 8*s.*; and upon being asked to name the time when the maximum price was given, he answered, About two years before (that is, in 1795). The Report states the one period, 1783-4; but of that alluded to by Mr. Newland, they take no notice as to the particular year. Having only spoken definitely of 1783-4, we should be induced to revert to the period of the American war alone, in search of the causes which forced the Bank into such inconvenient purchases of bullion; whereas they appear to have existed soon after the commencement of the present war, and while the Bank was paying in specie.

Neither do the Committee notice any rise in the price of gold, from the suspension of

cash payments, to the year 1806; whereas the price, quoted in the tables published, will be found to have been as follows:—
1800 — 4*l.* 5*s.* 0 per ounce,
1801 — 4*l.* 3*s.* 0 to 4*l.* 6*s.*,
1802 — 4*l.* 3*s.* 6,
1803 — 4*l.* 4*s.* 0,
1804 — 4*l.* 4*s.* 0,
1805 — 4*l.* 4*s.* 0,
1806 — 4*l.* 4*s.* 0.

I am more particularly induced to call your attention to this point, from the unqualified conclusion which is drawn in the Report, relative to the affecting cause; and that too built upon a broad misconception of the period to which the Committee assign its origin.

Upon that part which states the difference in price between sworn and unsworn bar-gold, there is only this to be remarked, that such a difference must exist, while the law with regard to ingots from English gold coin remains unrepealed. The two considerations with the dealer will be, the increased risk of fraudulent, above sanctioned, exportation, and the natural repugnance felt at the evasion of an oath. The two taken together will be about five per cent. But if the law cannot be enforced, and it is, in comparison, more profitable to remit gold, than to pay a premium for bills; as this comparison of profit will excite a disposition, so the art

of fraudulent trade will find the means, to export it. It appeared by the evidence, that the price of foreign gold in England was then about 12s. 1½d. per ounce above mint-price, as coin, or money; and this (as there is no other apparent cause) proves, that it is better worth while to export such gold for payments abroad, at 4l. 10s. per ounce, than to purchase bills, allowing even for freight and risk. English gold would then only diminish in the small proportion of its attrition, and of the quantity manufactured; and the Bank, being almost the only purchaser, would, as formerly, be able to set its own price upon the commodity.

If the Bank were to attempt to force down the price much below the mint-price, individuals would carry their gold to the mint. It cannot, therefore, be reduced materially below the mint-price; and, if the exportation could be prevented, it could not rise above it. When, therefore, the Committee ascribe to the Bank the control over the price of gold, they should not forget to ensure to the Bank the observance of the law as it now stands, which the Bank has no power to enforce.

Should emergencies demand an unusually great importation, or political causes require a

great foreign expenditure; in whatever proportion the domestic exceeds the foreign value of the currency, or circulating medium, in that proportion the trader will prefer the loss by an unfavourable course of exchange, to sending coin abroad; but he will still more actively endeavour to avoid either of those losses, by exertions to export goods. And thus, even a total want of intrinsic value in a national currency, although it can afford no remedy for an unfavourable course of exchange, so long as an excess of importations is not compensated, has an active tendency to increase exportation.

But, when there is a metallic currency, and the difference of pecuniary above metallic value is not so great as the loss by the state of exchange, any prohibition to the export of national coin,—unless it also effectually prohibits the exportation of ingots, into which it may be melted,—is evidently nugatory; as well as productive of national loss, to the extent of the expense of coinage; besides having a tendency to prevent the return of our coin, if exported, by taking away the profit which the foreigner might gain, from sending it back again at its current value to make his payments, rather than merchandise. When-

ever, therefore, any circumstances imperiously compel an exportation of a part of that stock of the precious metals which it might be prudent to retain for the purpose of currency, it is better that it should be authorized, than fraudulent; in current coin, than in *bullion*; for the reasons just mentioned; and the question would then depend upon the difference between the pecuniary and the metallic values.

In the second page of the Report, are the reasons assigned, by the evidence, for the increased demands for gold upon the Continent. They are said to arise out of the use of gold for the military payments of the French armies; as well as the state of alarm, and failure of confidence, which lead to the practice of hoarding*. These causes, however, have been so far from appearing satisfactory to the Committee, that they proceed to give the following opinion:

“Your Committee are of opinion, that in the sound and natural state of the British

* In an official letter, lately intercepted, to one of the French generals commanding in Spain, he is asked, how it is possible there should be such a scarcity of coin and bullion; and, what is become of all that was formerly in Spain, and all that has been brought hither by the French and English?—The reply is obvious.

“currency, the foundation of which is gold, no increased demand for gold from other parts of the world, however great, or from whatever causes arising, can have the effect of producing here, for a considerable period of time, a material rise in the market-price of gold.”

Why, under our present regulations, should not a great demand for gold from foreign parts produce the same effect upon the price of it here, as the same cause would do on any other article? But, before we can suppose such a state of things as the Committee here argue upon, namely, an immense demand for gold from abroad, independent of political or commercial causes, it may be asked, how this can possibly arise? For, if foreigners are purchasers of gold, or any thing else, they must bring to us an equivalent, and it must finally turn upon the relative amounts of receipts and payments.

If the melting and exportation of guineas could be effectually prevented, it is obvious, that the value of *foreign* gold for exportation may rise to any amount which the exchanges might render profitable, whether it was paid in guineas or in Bank-notes; but, if they cannot be prevented, the effect would be, to throw upon the Bank the expense of buying

gold, to be struck into guineas, which would be afterwards melted down; unless the Bank were to restrict its transactions so much, as to make notes scarcer than guineas, the effects of which would be obvious.

Neither does the illustration of the Committee, on this point, bear upon the argument, when they say (page 4), "During the whole of the years 1796 and 1797, in which there was such a scarcity of gold, occasioned by the great demands of the country bankers, in order to increase their deposits, the market-price of gold never rose above the mint-price." The Bank was paying in specie, till the 27th February 1797; and whatever the country bankers wanted must have been in coin, and was supplied by the Bank up to the above period. This demand, and this only, therefore, could not possibly have affected the market-price of gold, nor could it have occasioned a scarcity of it in the market; unless it had continued for such a length of time, as to have exhausted the treasure at the Bank, and obliged them to purchase bullion for coinage at an advanced price. It has been shown, that the Bank paid a very advanced price for gold in the year 1795, although the tables published quoted the price, at the same time, only

3*l.* 17*s.* 6*d.* per ounce. The real price may therefore have been equally high in 1796 and 1797; but, however that may be, it is most extraordinary that so decided an opinion from the Committee, on a point upon which so much of their argument is built, viz. the price of gold, "during a whole period of twenty-four years," should be found to rest merely upon the information derived from these tables.

The evidence brought forward to disprove the scarcity of gold appears equally inconclusive. It is said, "A very extensive home dealer, who was examined, and who spoke very much of the scarcity of gold, acknowledged that he found no difficulty in getting any quantity he wanted, if he was willing to pay the price for it." Upon referring to the minute of Mr. Merle's evidence, the person alluded to, it will be found, that all the questions go merely to ask him, whether he experienced any difficulty in providing himself with any quantity that he wanted in order to sell for home consumption? the annual amount of which is very small. Whereas it would appear, from reading the Report, as if any quantity of gold bullion might be procured, if we would but pay the price for it. This point

would have been much more clearly elucidated, if Mr. Merle, or any other competent person, had been asked, What quantity of gold they could have purchased in the market, in the preceding twelve months?

The Committee seem to think that gold remains in sufficient abundance at home: but, if it were dear from any cause but scarcity, would not its dearness bring some of it to light? and, if it does not, how is the Bank to extort it? What appears decisive upon this point is, that even great necessity has not brought forward any considerable quantities of gold, in extensive districts, during an almost total stagnation of paper in them, arising from the recent failures among the country banks.

The Committee observe, "That it was to be expected, that those, who ascribed the high price of gold here to a great demand abroad, would have been prepared to state that there was a corresponding high price abroad."

There need not, however, be a corresponding increase of the foreign price of gold to account for a domestic increase of its price, because the merchant may be willing enough to export gold at 4*l.* 12*s.* per ounce to a country where it may be worth only 4*l.* if, *with gold*

only, he can purchase wheat, for instance, at a price of 4*l.* which, after paying all charges, will clear 5*l.* in England; as the gain upon the balance would be eight shillings.

Other cases may exist, where it may leave an adequate profit to the foreigner, merely from the cheap rate of exchange at which, as at present, he would pay for it as an importer of bullion from hence, supposing he only sells it at cost price, reckoned at par, just as it might equally answer his purpose to sell any other English goods in the same manner. It may also be a speculation admitting of a profit on the price abroad, as well as on the exchange. Any of the above causes might make it worth while for the foreign merchant to purchase gold *here*, at the present depreciated rate of exchange; because, with such an exchange, the price of bullion in our market is merely *nominal* to the *foreign* purchaser.

The Committee are of opinion, that gold is the fixed measure of value in this country. Silver bullion may be a fixed measure at Hamburg; but surely neither gold nor silver, except in coin, can be called a fixed measure of value in England. The pound sterling is the national measure of pecuniary value; and gold

coin has, by law, a fixed proportion of that measure; but it has only that proportion as coin; and there is not, nor ever has been, a fixed measure of the metallic value of gold; therefore, gold, as such, cannot be a measure of value; and, as coin, it can only be a measure in a derivative sense, and dependent on its legal proportion to a pound sterling, the original standard of which was in silver coin.

When it is said, "that an increase in the quantity of local currency of a particular country will raise the price of all commodities in that country, exactly in the same manner as an increase in the general supply of precious metals raises the price all over the world;" this is, *ceteris paribus*, true; but, probably, never admitted of an exact practical exemplification in any country; as it supposes, that while the quantity of local currency increased, the quantity of all commodities, whether produced at home, or imported, remained stationary; which, in fact, never has happened, and never can happen. We are likewise to consider, what particular counter-acting circumstances have prevented it from being applicable to our situation.

From the years 1509 to 1590, soon after the mines of the new world began to afford a

large supply of the precious metals to Europe, the prices of articles increased nearly tenfold all over England; and, in a similar degree throughout the rest of Europe. It is a curious fact, that, from 1600 to 1750, the value of money increased, and prices diminished, at least in the important article of grain. Although prices, in this country, have greatly risen since 1750, and more rapidly since 1780, other causes have concurred to occasion it; such as a great increase of population, wealth, and taxation. The only mode in which an increase of the precious metals produces a rise of prices, is by increasing consumption faster than supply. But the advance in the price of gold, or bullion, has not been equal in any respect to the general change of money values; and this circumstance alone ought to have prevented the misconceptions which on this head have arisen in the Report.

The Committee refer to a highly respectable evidence, who considered "the two great circumstances which affect the exchange, in its present unfavourable state, to be, the restrictions upon the trade with the continent, and the increased circulation of this country in paper, as productive of the scarcity of bullion;" and he instanced as

examples of a contrary state of things, "the seven years' and the American war."

The question of our restricted trade with the continent resolves itself into a political inquiry, on which there exists a great difference of opinion. I wish, however, to consider this subject merely upon commercial grounds; and shall, therefore, take occasion hereafter to state, how the restrictions, imposed by both parties during the war, appear to me to have operated upon our trade. As the effects produced upon bullion by our internal circulation will recur in another place, I shall pass them over for the present. But the comparison between the seven years' and the American war, and the present times, remains to be noticed; and, perhaps, it may not be difficult to show wherein this resemblance exists, and, likewise, when it ceases.

There is no account upon record in what manner the situation of the Bank, as to its cash, was affected during the seven years' war: but it appears that the exchanges were against us from June 1760, to the beginning of the year 1762. It is also very probable, that the capture of the French and Spanish sugar-islands materially contributed to prevent a greater fall, as well as to promote their recovery; by transferring the supply of the con-

tinents of Europe, in sugar and coffee, from France to England. The price of standard gold was 4*l.* 1*s.* 6*d.* in September 1763*.

The statement respecting the situation of the Bank during the American war, and particularly

* Annexed is a short account of the price of standard gold, and the course of the Hamburg exchange, in the following years of the seven years' war, viz.

1760. Standard gold, from $\frac{3}{4}$ to $2\frac{3}{4}$ per cent. above mint-price.

Hamburg exchange, from 36 : 4 as low as 31 : 8.

1761. Standard gold, from about $3\frac{1}{4}$ to $1\frac{1}{2}$ above mint-price.

Hamburg exchange, from 32 to 33.

1762. Standard gold, from about $1\frac{1}{4}$ to $2\frac{1}{2}$ per cent. above mint-price.

Hamburg exchange, from 32 : 11, and rose to 35 : 1.

1763. Standard gold, from about $2\frac{3}{4}$, $3\frac{1}{4}$, $4\frac{1}{2}$, to $1\frac{1}{2}$ per cent. above mint-price. In September it was 4*l.* 1*s.* 6*d.* per ounce.

Hamburg exchange, from 34 : 2, 33 : 11, to 34 : 4.

1765. Standard gold, from about $\frac{1}{2}$ to $\frac{1}{3}$ per cent. above mint-price.

Hamburg exchange, from 34 : 5 to 35 : 2.

The par of exchange with Hamburg is now calculated at 33 : 8 $\frac{1}{2}$; but some persons are of opinion that it is higher.

† Preliminaries of peace were signed in November 1762, and the definitive treaty in February 1763.

at its conclusion, in evidence before the Committee of 1797, is very important: it informs us

“That the amount of cash and bullion in the Bank, during a great part of 1782, and a very considerable part of 1784 (that is, upwards of a year after the peace), was below the amount at which it stood in 1796, (that is, three years after the present war had commenced); and that, during the whole of 1783, the amount was lower, and in some parts of that year considerably lower, than it was on the 26th of February 1797, when the restraint was laid on paying in specie.”

This great reduction in the cash at the Bank happened not many years after the recoinage, which added twenty millions of new guineas to the stock already on hand.

That the price of gold began to be affected in 1783-4, has already been noticed;—“But,” say the Committee, “it was of short duration.” True; nevertheless, the period of time at which this advance of price took place is of importance. It was at the conclusion of the American war, and, as it is stated in evidence, after the Bank had been drained of its guineas, or, in other words, after we had been paying our foreign debts with our gold as long as we could.—What

then happened? Why, the price of gold advanced;—but peace being concluded, after a war, comparatively of short duration, and of small expense, the advance in the price of gold was also of short continuance. We are now engaged in a war, as to the termination of which no man will be bold enough to give a confident opinion. And here, I think, it must be admitted, that all comparison ceases, between the American and the present war.

Nor must it be supposed, that this demand upon the Bank for gold in 1783-4 passed unnoticed. Applications were made to Government by the merchants, requesting their active interference to prevent a continuance of the export; a circumstance which might have been known to some of the members of the Committee.

The evidence before the Committee of 1797 goes on to state, that the Directors of the Bank, in 1784, resting upon an expected melioration in the foreign exchanges from the return of peace, which melioration would necessarily bring an influx of bullion, had very judiciously resolved to abide by the event; which, as it must always do, fully answered their expectations*.

* I believe it to be an ascertained fact, that within two years after the peace with America, near two millions of

Such was the situation of the Bank of England, as to the state of its cash, after the conclusion of a maritime war of only five years' duration with France, and of eight years' with America! In the years 1776, 1777, and, until July 1778, the exchange upon Holland was much below par; it then rose till June 1779, fell again in 1781-2, and was not permanently at par till the end of 1783. The call for gold continued, however, a year after peace; which time it required to reinstate the foreign exchanges, as well as our coin, and to obviate the effects which this comparatively short war had had upon both of them. The Bank was paying in specie;—the whole continent was open to our trade; and the foreign expenditure, compared with the present, was small indeed.

Can there then remain a doubt, whether the Bank, under the circumstances in which it stood in 1783, would have been compelled to have resorted to the same measure as was adopted in 1797, if peace had not been concluded? And, with such facts upon record, where are we to discover "a contrary state of things,"—applied to the REAL situation of the

guineas were received in this country from America, which had been sent thither during the war; besides a very considerable amount from the Continent.

Bank as to its cash at the close of the American war,—to what it was in 1797, and to what it would have been at many different periods since 1797, if it had been paying in specie? Or how does it appear, that when the Bank did pay in specie, it had the control over the price of bullion and the foreign exchanges? The Committee say they have shown it.

So much has been written upon the par of exchange*, that I shall only make a few re-

* On the subject of the Portugal exchange, I shall mention a circumstance which occurred in 1792. The exchange was 60½ in the month of March of that year, and continued rising till September, when it was 74, 75½ per milrea, at which it remained till the end of November; and it would certainly have gone higher, had not the Bank of England supplied the Portugal merchants with large quantities of Portugal coin, at the price of 78 and 78 : 6d. per ounce. The exchange having been so considerably above par, was owing entirely to very large importations, and these chiefly of cotton. In 1792, the Bank paid in cash, and Portugal had not any paper-currency. The inference is obvious; and it shows, moreover, that, even during a prosperous period of peace, and when the general balance of trade was indisputably in favour of this country, owing to a great excess of imports from Portugal, the exchange could not be brought to par, without the aid of bullion to pay that excess, or, at least, great part of it. How much more must the same causes operate upon our general foreign expenditure, in such a state of things as we have experienced for the last seventeen years! The par of exchange upon Lisbon is 67½ in specie.

marks, in reference to our present situation. The cost of transmitting bullion from one country to another may be considered as a cause not altering the par of exchange, but producing a reciprocal difference from it. In time of peace, if bullion be with facility procured, the price of a bill of exchange will be proportionate to the cost and risk of sending the money. Any addition to either will cause a fluctuation, but does not alter the par. Thus, if the expense of conveying bullion to Hamburg, in time of peace, was about $1\frac{1}{2}$ per cent. and the par of exchange 33:8, whatever is now the expense above the $1\frac{1}{2}$ per cent. must be added, as applied to the practicability of exporting our coin. By the evidence taken before the Committee on the affairs of the Bank, in 1797, the expense was then estimated at $3\frac{1}{2}$ per cent.; and by that before the Bullion Committee, it is stated to be now 7 per cent.

It is a *real* par of exchange, whenever there is an *intrinsic* equality in the value paid and received on account of bills transmitted; and it is a *nominal* par, when there is an *assumed* equality in the value paid and received. A fixed or settled par of exchange, originally perhaps correct, may continue to be assumed as such, and may be conveniently made the basis of calculating comparative values, although

circumstances should arise which may make the real and intrinsic parity of value different from that which is still assumed to be such.

The course of the foreign exchange depends upon the real balance of receipts and payments, and not on the custom-house balance of trade. It is regulated, in time of peace, by the relative proportion of commercial imports and exports of each country,—affected in a certain degree by the expenses of travellers and residents abroad, and by the remittance of dividends to foreign stockholders. As the extraneous operations are then few, the variations are so likewise, and, when they occur, but temporary. From the period when the French obtained an ascendancy over the Continent of Europe, and in proportion as their power increased, which it has in an extraordinary degree during the last few years, in that proportion the trade and all transactions with the Continent have become more precarious. But as this subject will be more particularly treated in the subsequent pages, it is sufficient to observe, that if we attempt to account for the existing state of foreign exchanges, upon the sound principles which formerly directed commercial transactions, I very much fear that we shall not get at the truth. It is, moreover, in evidence before the

Committee, that the exchanges abroad are monopolized by a few persons, who fix them as they please; and, very probably, I think, in many instances, by agents of the French government.

When the exchange is called *favourable*, it has the effect of giving us the produce of foreign countries at a cheaper rate, because the pound sterling represents more of the currency of the country from which we import. But, from the same cause, our manufactures, and all our other exports, become dearer to foreign countries; and so closely were the profits of trade calculated, in the times of general peace, that what is called a highly favourable course of exchange frequently checked the orders from abroad for our exports.

By an *unfavourable* state of exchange, our exports are rendered cheaper to foreigners; and, with the ample means in our power to supply them, some of the evils of this unfavourable exchange are done away, if it promote an increased demand for our *own* manufactures. On the other hand, our imports are dearer to us, by reason of the value of bills upon England, in foreign markets, being reduced, from their redundancy. An unfavourable exchange operates as a bounty upon exportation, and our exports have lately been

unusually large;—it has of all things (as Dr. A. Smith proves) the strongest effect in raising prices at home; which may give some countenance to the idea of a depreciated currency; but not in the sense assumed by the Committee.

The same causes which have produced either a favourable or unfavourable state of exchange, according as they have been found to operate, will continue to do so, at all times, whether the Bank resume its cash payments sooner or later. Our debts abroad must be paid:—if our trade will not answer them, an unfavourable course of exchange will be the consequence,—our bullion and our coin will find their way abroad, or we must submit to pay a heavy charge of interest and re-exchange to foreigners, for the accommodation. So true is it, that every community, which has an “equivalent to give, may always procure as many of the precious metals, wherever they exist, as it wants*.”

The Committee think otherwise; and my difference of opinion with them arises chiefly from a misapprehension, on my part, or theirs, of the effect of local currency on the

* Report of the Privy Council for examining the State of the Coin.

price of bullion and our foreign exchanges. On this point, I wish to add, first, If the increase of paper-currency raise the domestic price of things, in so far as that rise must affect the value of merchandise to be exported, it must increase its price; but if that increase has not diminished the exportation (of which there is sufficient evidence), it must have swelled the credit-side of the national account. Secondly, If it be meant that it produces the ascribed effects, by diminishing the means of making payments to foreign nations in bullion, this may be true as the consequence of an antecedent, but not of a concomitant paper-currency driving coin out of circulation. When the greater part of the coin has been exported, that which remains will be less adequate to remove an unfavourable state of exchange; but when this is already the case, a diminution of the concomitant paper-currency must, I should think, make gold dearer, by occasioning a demand for it, for the purpose of coinage, instead of making it cheaper; and the loss on exchanges greater, instead of less. In pages 11 to 14 of the Report, an attempt is made to prove the depreciation of Bank-paper, from two calculations, founded on dif-

ferent principles; and as the deductions are certainly plausible, and given with an air of demonstration, it is necessary to remark, that although it may be difficult to point out, by analysis, in what respects the reasoning of the Committee is erroneous; yet it is easy, by a reference to facts, to show that it is not justified by experience. If the reasoning were just, it would be impossible for the exchange to run against any country in which there was no paper-currency, and the money was not debased, more than the expense and risk of transporting gold or silver from that country, to the other, with which the exchange is computed. Now this will be found erroneous in numberless instances. To take a remarkable one:—the exchange between London and Hamburgh, very soon after the suspension of cash payments at the Bank, was about 10 per cent. in favour of London, and continued to rise during the whole year 1797, though there was no paper-circulation at Hamburgh, and the expense of sending gold to England was only about 3½ per cent. Nor will the course of exchange always bear an accurate proportion with the prices either of gold or silver in the market. So much are matters of this kind liable to be influenced, in

practice, by circumstances which escape the attention of abstract reasoners.

It is said, by some persons, who probably have discovered the dilemma into which the Committee have been led upon this head, that the whole of our currency, whether paper or coin, is equally depreciated. If guineas be as much depreciated as Bank-notes, Bank-notes are of as much value as guineas; and if so, where is the depreciation of Bank-notes? and what possible advantage would the resumption of cash-payments produce? But what is meant by the depreciation of our currency? Is it, that a pound of gold at Hamburgh, is of more value than a credit upon London for a pound of English gold coin, which cannot legally be exported, or Bank-notes of equal nominal value? This is true; but what is it more than saying, in other words, that the exchange is against us? Such a circumstance alone would account for the high price of gold in our market; which, from the state of the exchange, becomes, as has been already said, a nominal price to the foreigner importing from hence.

We should not forget the distinction between a depreciated coin, and a depreciated paper-currency. A debased coin has still some value,

according to the quantity of fine metal remaining; but the value of paper is merely representative, and rests wholly on credit;—it is worth all, or it is on the eve of being worth nothing. The Committee might have done well to have borne this in mind.

If the state of foreign exchanges be of that minor consideration which some have contended that it is, let us suppose them to stand as they now are, and that gold could remain here at mint-price, or £3 17 10

Adding to this the cost of transport, &c. 6 per cent. 0 4 8
4 2 6 1/2

And deducting the depreciation in the exchange, at 18 per cent. 0 14 10

Gold, exported from hence, would only cost the merchant at Hamburgh 3 7 8 1/2 per oz.

But the Committee argue, contrary to experience, that the exchange can only be against us, because our paper is depreciated; and then, assuming this as a fact proved, they attempt to

alarm us with the terrible consequences of it; which would be great indeed, if the fact were so. They assume as admitted, what is distinctly denied; namely, that a pound of gold in bullion, and a pound of gold in coin, must be precisely of the same value. If no seignorage be taken on the coin, and it be allowed to be freely melted down or exported, their value cannot materially differ for any length of time; but either of these circumstances, and many others, may occasion them to differ very considerably.

A Bank-note is a representative of legal coin, and therefore, if payable *in coin*, performs all that it professes. At present, this liability to payment in coin is suspended by the Legislature; and the public, *encouraged*, but not *compelled*, by their authority, are willing to acquiesce in the suspension, and to accept notes as cash. The Banks of Amsterdam and Hamburgh are constituted upon different principles from ours, and their receipts represent not *coin*, but *bullion*; they therefore can hardly be *depreciated*, though they may be *discredited*, even totally, in case of alarm.

In the course of the examinations which took place of the Directors of the Bank of

England, a paper was delivered by Mr. Pearce, the Governor, which is inserted, No. 49, in the Appendix to the Report, and is noticed by the Committee in a way which would seem to prove that they were more wedded to their own opinions, than open to conviction from a statement of facts. This paper is entitled, "Comparisons of Hamburgh Exchanges with Amount of Bank-notes at various Periods;" which, notwithstanding the opinion of the Committee, appears so much in point, that I shall insert an abstract of it.—It says,

	Millions. Hamb. Exchanges.	
On the 27th February 1797,		
the total amount of Bank-		
notes was * - - - - -	8½ — 35:6	} above par
Rose gradually, in 1797 and		
1798 to - - - - -	13 — 38:0	
March 1799 - - - - -	13½ — 37:7	
After this period, great commercial distress—large importations of corn—heavy subsidies—and the Hamburgh exchange continued falling, and, on the 2d Jan. 1801, was as low as - - 29:8 under par.		

* Having, as it appeared, been some time before about eleven millions.

Millions. Hamb. Exchange.

Between the end of 1799 to the			
end of 1802 - - - -	13½	{ 33 : 3	
An increased quantity of rl.		to	below par.
and 2l. notes were issued,			
swelling the sum-total of all		{ 29 : 8	
notes - - - - -	16½		
From January 1803, to the	{ 16½	from 32 : 10 ditto	
end of 1807 - - - -	to 18	to 35 : 10 above par.	
From January 1808, to	{ 17½	from 34 : 9	
Christmas 1809 - - - -	to 18	to 28 : 6	below,

This is a concise, but an important document: it not only gives a narrative of the progress of Bank-circulation from the period of restriction, and of the Hamburgh exchanges, but it also points out, in clear and distinct terms, the causes of the fall of the exchanges, and the point of time at which they began to operate. It says, *after* March 1799, "great commercial distress, large importations of corn, and heavy subsidies," occasioned the fall in the exchanges; and these are the true causes, which have continued to operate ever since, in a greater or less degree, at different periods.

But, say the Committee, "the evil has been, that the exchanges, when fallen, had not had the full means of recovery under the subsisting system;" and they further state, in

substance, that the correctives for these evils are to be found only when the Bank shall have resumed its cash-payments, as *they were* on all former occasions prior to the restriction. It would have been very useful, if the Committee had favoured us with any instance, when the Bank were able to prevent the export of our gold under an adequate unfavourable rate of foreign exchange, or when the Bank restored the exchanges merely by the act of paying in specie? I think we have seen when they *did* not do so.

It appears by the paper already referred to, that the Hamburgh exchange was nearly the same (35 : 6) when there were only 8½ millions of Bank circulation payable in cash in February 1797, as it was *ten* years afterwards (1807), when there were eighteen millions, under the restriction of cash-payments.

It further appears, and the fact is undisputed, that, after March 1799, various additional heavy demands were made upon us; and it should be remembered, that a very large foreign expenditure had been going on for four years *preceding* that period. Now, although the rate of foreign exchanges began to improve in April 1797, and continued to do so till March 1799, still there can be no doubt, but that coin and bullion had been previously exported to a large

amount, which the influx of 1797-8 did not compensate; and which, from the state of exchanges, cannot since have returned.—From the year 1799 to the present time, all the leading causes *then* assigned, as operative upon the exchanges, have continued to exist, and certainly to a greater extent. Indeed, the Committee seem studiously to keep our foreign expenditure out of view; although there cannot be the smallest doubt, that it is the real efficient cause of the fall of exchange, and the high price of bullion. Some of the members who composed the Committee must, for obvious reasons, be acquainted with the whole extent of this expenditure, and in how great a degree it has occasioned an export of coin and bullion through the medium of the Bank*.

I cannot agree with the Committee in opinion (at least, not to the extent in which they have adopted and applied it), that the quantity or rapidity of a circulating medium,

* On this head, a very material circumstance is remarked by Mr. Bosanquet, in his able publication, viz. that 3½ millions were sent abroad in bullion and specie, by Government, in 1808, and very little in 1809; and this would account for the exchange being so much more affected in the latter year, supposing the expenditure to have been equal; whereas, in fact, it was much greater.

substituted for a metallic currency, beyond that proportion of it which is really a substitution, so long as it remains in full credit, has much or any thing to do with a state of foreign exchanges, or with a cotemporary value of coin or bullion.—When it is assumed, that such an increase, both in quantity and rapidity of use, as has taken place in this country, has caused an inconvenient diminution of the value of money, I would ask, what has this to do with the value of gold and silver as exported merchandise? Besides, this admission would be more than facts will warrant, when the other causes, that have operated to produce a rise of prices, are considered. The accommodation afforded by country banks may occasion a temporary rise in particular articles, by encouraging speculation; but, unless consumption increases in proportion, the prices must fall again; and, in fact, they have been remarkably fluctuating of late, from this as well as other causes wholly unconnected with our paper-currency.

If the circulation adopted instead of coin *correctly preserve its pecuniary value*, when compared with the national standard measure of value with us (the pound sterling); either by being readily exchangeable for current coin, or being received in payment with equal readi-

ness; in that case, although the pound may have changed its relation to commodities as a measure of their value; or, in other words, although they may become, in the aggregate, much dearer; yet this can neither necessarily, nor practically produce a similar effect on gold and silver as exportable merchandise;—I say, if the circulation adopted correctly preserve its pecuniary value here, when compared with the pound sterling, then, so far as gold and silver change their value when compared with the pound, the changes, whether of dearness or cheapness, are not pecuniary, but commercial. There is no *depreciation* of the paper money, although there may be an increase of the commercial value of gold from *extrinsic* causes;—an increase preponderating over the regular consequences of a substituted currency in diminishing its value.

Nor is this a mere verbal dispute; because, in very many of their most important effects upon social life, there is a wide and manifest difference between an increase of the money-prices of articles, resulting from an increase of the quantity or rapidity of money circulating with confidence in its value, and therefore at par, or at its nominal value when compared with the standard-measure;—and money depre-

ciated from want of confidence in its value:—as much difference as between hope and despondence.

While a note, purporting to be of the value of one pound, retains, and is expected to retain, the circulating value of one pound, if corn, or if gold and silver bullion, are commercially dearer, then is the paper-money depreciated in no other meaning of the word than the circulating guinea is said to be depreciated. But, after all, what close and peculiar relation is there between the value of money, and the value of gold and silver stamp or unstamp, in any other than in a pecuniary character? Paper-money and coins are alike measures of values of other things obtainable by them; with this difference only, that the latter contain a portion more or less of the value which they sanction, and, to that extent, in transferring them for things, there is a real barter; but, in every view, this is a commercial, and not a pecuniary, circumstance. It seems to me, that no political truth can be more clear, than that neither the price of gold nor of silver bullion, in commerce, and while having only a commercial value, does, in any important degree, affect the value of

the pound sterling, nor the value of the latter affect the price of the former.

When, therefore, the Committee declare, "that it is a great practical error, to suppose that the exchanges with foreign countries, and the price of bullion, are not liable to be affected by the amount of a paper-currency, which is issued without the condition of payment in specie at the will of the holder," (page 16,) I venture to say, with all due deference to their "very deliberate consideration of this part of the subject," that the condition of payment in specie will make no difference whatever in that case, unless the paper becomes discredited; and that, so long as a country maintains its credit abroad, beyond its demands, neither the exchanges nor the price of bullion will be affected by its local paper-circulation. And why should they?—Their paper has no functions to perform, but among themselves; and they having more to receive from abroad than they have to pay, the exchange must be in their favour, and the balance must find its way into that country in bullion. Take the reverse of this position, and what do we gather from the evidence of facts? Why, plainly this: that, while the Bank was paying in specie, in the American war, it did

not, and could not, prevent an unfavourable course of exchange, when our foreign payments exceeded our foreign receipts; nor could it stop the drain of gold, or the high price of bullion, which followed as a necessary consequence. Upon what ground, therefore, are we *now* to expect different effects from similar causes, under circumstances infinitely more difficult than those of 1783-4? It might as justly be said, that the guinea was depreciated in those years, as the Bank-note in 1809; and exactly the same reasoning, as far as respects the foreign exchange, might be applied to prove it.

In support of this opinion, the Committee have cited the *paper-currency* of other countries: and even "the *money-speculations* of the "Austrian government, in the last campaign," are brought forward to prove, what required no uncommon share of understanding to know; namely, that an issue of paper by the government of a country, in a moment of difficulty and distress, is depreciated as soon as it appears;—a paper, be it observed, not measured by the *commercial wants* of the country, but by its own *political necessities*; not issued in payment for *value received*, but for military services, and other unproductive labour.

These transactions (which have no refer-

ence whatever to the question before us) are, I know not why, distinguished by the Committee with the title of *remarkable*; they are brought forward by Mr. ———, who says, that almost all the banks upon the Continent are Government banks; and he might have added, that those which are nominally not so, are equally under its control. In proof of this, he could have informed the Committee in what manner Bonaparte conducted *his* financial operations, at the very moment when these same "money-speculations of the Austrian government" were going on. He, disdainng the ordinary modes pursued in borrowing of money, cleared the bank at Paris (*not* a Government bank) of all its cash, except about 15,000 francs (600*l.* sterling); in consequence of which, it was obliged to suspend its payments!

At the former period alluded to in the Report, namely, the reign of King William, the case was wholly different from the present. The legal current coin was greatly debased,—it was clipt, worn, and light; and the question was, whether or not it should be restored to the value at which the Mint had issued it; for which the faith of Government was pledged; and on the credit of which all transactions,

both of the Government, and of individuals, as well as with foreign nations, were founded. The decision was just, wise, and manly, and such as I hope a British Legislature will always form; but what has this to do, with the case of *Bank-notes*, for which the faith of Government is *not* pledged,—which are no legal tender, and on which no transaction whatever is legally founded?

In addition to this state of the coin, the country was then engaged in a foreign war of great expense*, which all writers on political economy admit was severely felt at the time, and which occasioned an excess of payments abroad, and an unfavourable course of exchange. The country had, therefore, to contend against a depreciated exchange, as well as a debased state of currency, in the reign of King William; and both these causes, united, produced the depression of 20 to 30 per cent. which existed at that period in the exchanges.

The great stress which is laid, in the Report, on that of the Committee on the Irish Exchange in 1804, renders it material to enter

* The amount of monies raised in King William's reign was nearly 50 millions; being nearly six times the estimated value of the landed income of the kingdom at that time.

into a short examination of the facts stated in the latter, and the evidence on which it was founded; and the rather, as there is undoubtedly, at first sight, a general resemblance between that case and the present, which may easily mislead a superficial observer; but the fallacy of which, the sagacity of the Committee might have been expected to detect. In both instances, the exchange had become more and more unfavourable to a country in which Bank paper was the currency in usual circulation; and in 1804, as in the present case, a Committee were of opinion, that the excess, and consequent depreciation, of that Bank paper, were the leading causes of that unfavourable exchange. But here the resemblance ends; and though I am persuaded that the Committee of 1804 were justified in the opinion which they formed; I am no less convinced, that the Bullion Committee are mistaken in theirs.

In 1804, no other sufficient reason than that which was given could be assigned for the unfavourable state of the Irish exchange; for it appears established, by as satisfactory documents as on such a subject could be obtained, that the general balance of cash payments was in favour of Ireland; and, therefore,

according to the acknowledged principles of trade, the exchange ought to have been favourable to her also.

But, in the present instance, every one of the witnesses, without exception, states other causes, adequate, in his opinion, to produce the present unfavourable state of the exchange between England and the Continent; whilst only one (the *anonymous witness*) stated the fact of the depreciation of Bank-notes (a fact positively denied by all the others), as a cause which had *not produced* the unfavourable exchange, but prevented its recovering itself. The principal cause assigned by them all, however variously expressed, was, the sudden derangement of all commercial combinations, occasioned by the violent effort of the enemy to cut off all intercourse between Great Britain and the Continent; together with the measure of retaliation adopted by the British Government, and the American embargo. To the consideration of this particular part of the subject, so peculiarly important, I shall feel it necessary to recur hereafter. But the witnesses point out other more obvious and ordinary causes, which leave little room to doubt that the balance of payments between Great Britain and the Continent has, for the last two years in particular, been con-

siderably against us: these are, the high price of corn, and the great foreign expenses of Government. It is notorious, that the deficiency of grain, during that period, has been such, though not amounting to an actual scarcity, that it has maintained an average price higher than has been known for more than a century, except during the scarcity of 1800 and 1801. At that unfortunate period, the importations of foreign grain were so great, that the Deputy-Governor of the Bank stated them, in his evidence before the Committee of 1804, to have occasioned a debt against this country estimated at no less than fifteen millions. The importations of 1808-9-10, have certainly been of inferior amount, yet considerable enough to press heavily on the exchange; and it appears, indeed, from circumstances stated in the evidence taken before the Committee of 1797, as well as the Bullion Committee, that an importation of corn, at all times, occasions a much greater drain of specie, than the purchase of other articles of equal value.

But to this is to be added the very important consideration of the foreign expenses of Government. On this head, the Committee confess their information to be imperfect; and

they do not seem to have paid that attention to it which its importance deserves: for it is a remarkable circumstance, that the depreciation of the exchange first began to be considerable, precisely at the time when the expenses of the supplies sent to the Spanish patriots, and of the formation of a British army in Portugal, would begin to produce an effect upon it. Since that time, these expenses have not only been continued at an increasing rate, but were considerably enhanced by the assistance given to Austria during the short war of 1809, and by the Scheldt expedition, as well as by a considerable expenditure in the Mediterranean. It is observable also, that, since the Spanish revolution, the import of bullion from the Spanish colonies into Spain has been direct, instead of passing, as most of it before did, into England, in payment of advances in bills of exchange.

Surely, when we consider, that, in the experience of all former times, circumstances such as I have enumerated have been found to depress the exchange, we shall not be inclined to treat so lightly as the Committee seem to have done, the opinion of all the principal merchants examined by them, who concur in now attributing the same effect to the same cause.

But there remains a still more striking ground of distinction between the case of the Irish exchange in 1804, and the present. All the witnesses examined by the Bullion Committee agree in stating, that the value of Bank of England notes, in all payments, is exactly equivalent to that of cash; and that no difference is made between them in any contract or bargain. But what do the Irish witnesses say before the Committee of 1804? That a premium was notoriously and publicly given for guineas—the regular legal currency of Ireland as well as England; which commenced about 1799, and had gradually increased to ten per cent. in 1804;—that bargains were made at different rates, according as payment was stipulated in cash or notes;—and that, throughout the North of Ireland, notes were not current at all; and the prices of all articles were proportionally cheaper, than in the other provinces where the notes formed the usual currency. Nor is it immaterial to observe, that, during this whole period, the premium given for *Bank of England* notes was exactly the same as that given for *guineas*. It is difficult to negative the fact of the depreciation of *Bank notes* more strongly than in the one

case, or to establish it on more decisive evidence than in the other.

Nor is the connexion between the depreciation of the Irish paper currency, and the exchange, less clearly established. In 1798, when notes passed at par, the exchange was rather in favour of Ireland; as they became depreciated, it became unfavourable in the exact proportion; and, in 1804, was nine per cent. against Ireland at Dublin; but at Belfast, where all payments were made in cash, it was still in favour of Ireland.

If any doubts should yet exist respecting the complete dissimilarity between the state of the currency of Ireland in 1804, and of England at present, they will be removed by attending to what appeared in evidence before the Irish Exchange Committee, respecting the causes of the depreciation of the paper currency of Ireland.

The Bullion Committee justly state, page 26, “That the mere numerical return of the amount of Bank-notes out in circulation, cannot be considered as at all deciding the question, whether such paper is, or is not, excessive.” But when it appears, that the increase of paper currency has been so great and rapid, as to exceed any visible means of commerce and

circulation in a country, it will afford one of the strongest presumptions of excess; and, in conjunction with such proofs of actual depreciation as I have before cited from the Report of the Irish Exchange Committee, may justly be considered as conclusive.

Now, in March 1797, previous to the restriction of payments in cash, the notes of the National Bank of Ireland in circulation (*Report, page 10*), were between £6 and 700,000
In April 1801, - - - - - 2,660,000
In January 1804, - - - - - 2,987,000

But the notes of the National Bank of Ireland by no means form a complete criterion of the general paper circulation of that country; nor has that corporation by any means the same importance in the money transactions of Ireland, which the Bank of England possesses here. The four private banks in Dublin issued, previous to the suspension of cash payments, an amount of notes, fully equal to that circulated by the Bank of Ireland. (Mt. Beresford's Evidence, page 106.) The banks of Cork dealt still more extensively; and many of the other private banks in provincial towns were very considerable. The Dublin banks are stated not to have increased their issue of paper, but the country banks increased theirs

at least *four* fold, between 1797 and 1804; and of the general increase of the notes issued by private bankers, an idea may be formed, by the *number* of notes paying duty, and of licensed bankers issuing notes, which in 1800 were eleven in number, and in 1804 were forty. The number of notes so issued was as follows; but their money value cannot be exactly ascertained, as the same stamp applies to notes of different values:

In 1800, - - - - -	450,721
1801, - - - - -	458,085
1802, - - - - -	1,233,602
1804, - - - - -	1,457,283

I have before stated, that the exchange became unfavourable to Ireland, in exact proportion to the depreciation of her paper currency; and I have now shown, that it corresponded with the same exactness with the growing amount of her paper currency.

In March 1797, the exchange was about two per cent. *in favour* of Ireland.

In April 1801, - Four per cent. *against* her.

In January 1804, - Nine per cent. *against* her.

Nor did the amount of exports and imports by any means indicate an increase of trade, so rapid as to require such an extension of

currency. The official value of exports, on an average of three years, ending in 1797, was - - - - - £ 4,671,277
 Of Exports on a like average, 1803, 4,754,679
 Of Imports on a like average,
 ending 1797, 4,163,457
 1803, 5,456,453

It appeared, however, from the evidence of Mr. Marshall, the Inspector General, that, on account of the differences between the real and official value, in both these periods, the real balance of trade, as well as of general payments, was considerably in favour of Ireland.

But it would have been happy for Ireland, if the evil had stopped here: exclusive of the notes of the National Bank of Ireland, and of private licensed banks, a most pernicious currency was introduced in 1798, and rapidly increased, of what were called silver notes, and I O U's, issued without stamp or license, and to so low a value as *sixpence*; and in some parts of Ireland this practice was carried to such an excess, that in the great city of Cork, every shopkeeper and publican is stated to have issued them*. To these

* To such a length was this kind of circulation carried, that the issues of petty dealers were frequently so low as *penny notes*.

was added a profusion of counterfeit silver coin, of the basest materials, and scarcely of any value.

Besides these causes of the discredit of the Irish paper currency, were further to be noticed, the alarm occasioned by the apprehension of invasion, and the rebellion in 1798, with subsequent partial disturbances; naturally producing a disposition to hoard such coin as could be collected.

Such was the state of Irish currency, as displayed before the Exchange Committee in 1804; and it is scarcely necessary to contrast it with the present state of England, and to point out how inapplicable any reasoning founded on the one must be to the other. There has never been a time when any difference has been made between the price of articles paid for in guineas, and in Bank of England notes. No issues of silver notes have been permitted; and it will not be difficult to show, that the increase of our paper currency by no means exceeds the proportion to be expected from our commerce and revenue.

The nature of the mischiefs which affected Ireland in 1804 may be further elucidated by the remedies that have since been applied to remove them, and with a considerable degree of

success. The silver notes and I O U's were suppressed by law, and the worst of the counterfeit silver coin was drawn out of circulation by a supply of silver tokens, struck from dollars, and issued by the Bank of Ireland. The notes of that Bank were at that time reduced one fifth in amount, and have since been increased only in proportion to the real wants and increase of trade *; and it is probable, that the paper of the private banks has also been considerably reduced.

In consequence of these measures, the exchange between Dublin and London has gradually been restored to par; and would probably be in favour of Dublin, if the depreciation of Irish paper were entirely cured. It may, however,

* Amount of the notes and the Bank post-bills of the Bank of Ireland, in circulation in the following years, on 1st January, viz.

		Rates of Exchange in Dublin.	
1802	1st January	2,673,317	— 10 $\frac{1}{4}$ to 12
1803	-----	2,623,752	— 10 $\frac{1}{2}$, 19, 16
1804	-----	2,986,999	— 11, 18 $\frac{1}{2}$, 11 $\frac{1}{2}$
1805	-----	2,902,438	— 8 $\frac{1}{2}$, 13, 12
1806	-----	2,465,710	— 11, 10 $\frac{1}{2}$, 11
1807	-----	2,818,140	— 10 $\frac{3}{4}$, 9 $\frac{1}{4}$
1808	-----	2,732,483	— 9 $\frac{1}{2}$, 10, 9 $\frac{1}{2}$
1809	-----	3,141,410	— 7 $\frac{1}{2}$, 9 $\frac{1}{2}$, 8
1810	-----	3,192,186	— 7 $\frac{1}{2}$, 8 $\frac{1}{2}$
	1st June	3,165,579	— 8, 8 $\frac{1}{2}$

be proper further to observe, that the case of the exchange between Great Britain and Ireland is the most simple that can be imagined. The two nations are united under the same government and the same laws;—the legal coin of both is the same, though there be a difference in the nominal currency;—the expense of transmitting gold coin from the one country to the other does not exceed one percent.;—and the trade between them is as free as is possible between countries having separate treasuries. The foreign trade of Ireland is comparatively inconsiderable; and is always adjusted by bills upon England. Under these circumstances, the exchange may always be expected to suit itself to the balance of payments between the countries, unless the currency of either be deranged.

But in the intercourse between foreign nations, other circumstances are to be taken into consideration, as influencing the course of exchange. Their trade is usually more or less restricted, even in time of peace: but, of late, we have seen our intercourse with the continent of Europe obstructed by all the means which jealous tyranny could devise; and further difficulties have been occasioned by the retaliation of our Government, and the measures adopted by the United States of America. The

effect of these restrictions is clearly pointed out in the evidence of Mr. Lyne and of Mr. Gref-fulhe: these gentlemen state in substance, "that the first great depreciation took place "when the French got possession of the north "of Germany, and passed severe penal laws "against a communication with this country, "at the same time that a sequestration was "laid upon all English goods and property, "while the payments for English account "were still to be made; many more bills "were in consequence to be sold, than could "be taken by persons requiring to make pay- "ments in England. The communication by "letters being also very difficult and uncertain, "middle men were not to be found, as in ordi- "nary times, to purchase and send such bills "to England for returns; while no suit at law "could be instituted in the courts of justice "there, against any person who chose to resist "payment of a returned bill, or to dispute the "charges of re-exchange: and that, therefore, "no one would undertake the business of ex- "change, but at very large profits." They state also, "that the balance of trade is against "England with the continent of Europe, and "greatly aggravated by the payment of very

"large freights to foreign ships*; while it is "greatly in favour of England with South Ame- "rica, from whence returns can only come in "at remote periods; and with the United States, "from whence they were impeded by the em- "bargo:—that the embargo again operated in "another way, by preventing America from "paying her debts to us with her credit on "the Continent, where the balance is greatly "in her favour, and would therefore have con- "tributed to the settlement of our general "accounts."

This evidence will be more clearly under- stood by a short retrospect.

Previously to the revolution of Holland in 1795, Amsterdam had for near two centuries been considered as the principal exchange- mart of Europe. Here, as in a common centre, the different accounts of the several nations were finally adjusted, through the medium of

* The foreign shipping, cleared outwards, in 1795, ex- ceeded that of the former year, by no less than 160,559 tons: this was an early symptom of the alteration produced upon our trade, from the state of the Continent; and it has con- tinued to increase ever since.

Foreign Ships cleared outwards.

1794	—	209,697 Tons.
1795	—	370,238
1809	—	674,680

several houses of the most extensive capitals and credit, who carried on the business of exchange, and conducted it on the most accurate principles, and at very small profit. After the taking of Amsterdam by the French, Hamburg, as being the principal neutral port remaining in the north of Europe, and enjoying the advantages of inland communication, became the great channel of intercourse between England and the Continent, and, in consequence, the principal centre of exchange.

But though these advantages raised Hamburg to great commercial importance, and occasioned a considerable influx of capital, the business of exchange was never established there in so extensive and solid a manner as it had been at Amsterdam, nor conducted by houses of equal consequence. This was in part owing to a sense of insecurity; as Hamburg was frequently threatened in the course of the late war, and the success of the French arms had been so extraordinary as to leave no place on the Continent in a state of evident safety. But it would not have answered any important purpose to the French, to exclude the British trade from Hamburg, while Prussia retained any share of independence. It would only have transferred the seat of commerce to Dantzic or

Konigsberg, and strengthened a power, which, though it was long the policy of the French to cajole and conciliate, they always considered as an eventual enemy, who must at last be crushed, to establish their plan of universal domination. Hamburg, therefore, though often threatened, and sometimes subjected to extortions of different kinds, was so far spared, as to continue to be the great mart of Germany and the North. But when, by the overthrow of the Prussian monarchy, the power of the French was established above control on the shores of the Baltic, that system of rigorous exclusion was carried into effect, which has since been still further enforced by the incorporation of Holland with France, and the introduction of a French dynasty to the throne of Sweden.

The most rigorous measures were immediately adopted at Hamburg, as well as all other places under the control of the French, to cut off all communication with Great Britain; and a system of inquisition and severity was introduced, more resembling the jealous vigilance of a religious persecution, than any ordinary commercial or fiscal regulations.

In such a state of things, the principal houses, having large property to lose, and finding themselves the objects of particular suspicion, ge-

nerally thought it prudent to avoid transactions which might expose them to confiscation and punishment, and to wait for better times.

This interruption of trade, however, produced the effect of enormously enhancing the value of British and colonial goods on the Continent: so that it is stated by Mr. Greffulhe, that the principal articles of export command prices on the Continent from fifty to two and three hundred per cent. higher than the prices existing here; and the value of continental goods has increased in England, though by no means in an equal proportion. It was easy to foresee, that no vigilance of Government could prevent an intercourse, however difficult in other respects, attended with such profit; and, accordingly, a very considerable trade was in fact carried on under various disguises and evasions, and with different ports, as opportunities offered, or partial and temporary relaxations took place. But it happened, and it could not well do otherwise, that such a trade fell generally into the hands of new adventurers, who were not to be deterred by great risk, and not scrupulous about the means of evasion (often very dishonourable) which the occasion rendered necessary.

Circumstances continued nearly the same, till the rupture between Austria and France in

the spring of 1809. The advance of the Austrian army, and the recall of the French troops to the Danube, emboldened the inhabitants of the north of Germany to engage in the British trade with less circumspection: and the Russians, who had borne the privation of commerce with great impatience, following their example, the intercourse between Great Britain, and the north of Europe, continued under little more than nominal restraints, during the greater part of the summer. It was, however, an intercourse still subject to alarm and risk; and the decisive termination of the war in favour of France, made it evident, that the former, or even greater obstacles, might shortly be expected.

The British merchant was therefore equally eager to dispatch his exports to the Continent, while this fleeting opportunity lasted, and to provide a plentiful stock of continental goods, especially of those which had been particularly in demand, and of which the supply had before been scanty and precarious;—such as timber, hemp, tallow, flax, and other produce of the North. And although the merchants on the Continent were not less desirous of profiting by the occasion, yet various circumstances contributed to give them, in a great degree, the means of dictating their own terms, with respect to

the arrangements of payment and the negotiations of exchange.

In the first place, the known necessities of the British Government for payments on the Continent, pressed heavily on the market for bills. In the next, as none of the continental powers had ventured publicly to authorize the trade, or any communication with England, the connivance of the officers of Government was generally to be obtained by indirect means; and for the expense and difficulty attending them, the British merchant was forced to take his correspondent's account: for it is obvious, that in this, and indeed in any transaction arising out of a trade ostensibly prohibited, the courts of justice could not be applied to for redress. It is therefore equally apparent, that the foreign merchants,—under the notion of indemnification against the risk they ran, and under the necessity of transacting business as speedily as possible,—had many opportunities of unfair advantage; while the unwillingness of the most opulent and established houses to engage in these perilous and precarious concerns, unavoidably threw much of the trade into the hands of such speculators, as were more attentive to immediate profit, than future credit. By their means, the exchange, which in regular times is a business conducted upon the smallest

profits, may have been depressed to a degree considerably below what the actual state of payments would warrant: and my belief is, that this has happened.

I shall now proceed to make a few observations upon the relative situation of the Bank of England, with the Public. At the peace of Amiens, the question of resuming cash payments necessarily came under consideration; and the Directors declared their readiness to do so, whenever it should be thought advisable; which was all that could be required of the Bank. But, after what has been promulgated in the Report of the Bullion Committee, it seems but reasonable to elucidate this part of the subject, in order to determine, whether the resumption of cash payments has been rendered difficult from causes attributable to the management of the affairs of the Bank, or whether it is rendered impracticable by the concerns of the public.

The Report says, "The notes of the Bank are principally issued, in advances to Government for the public service, and in advances to the merchants upon the discount of their bills." The question, therefore, may be reduced simply to these two points, viz.

1. Will the public service admit of any

reduction of the advances made by the Bank, and to what amount?—This is not a subject of inquiry for the Bank to institute.

2. Will the commercial discounts bear a reduction, and to what amount?—bearing in mind the recommendation of the Committee, a just application of which the Bank does not appear to lose sight of; namely, “That a wise and necessary caution must be observed for their own affairs, as well as for public and commercial credit:”—a few words, but of weighty import!

The issues of Bank of England notes may be comprised under the following general heads; viz.

1. For advances to Government.
2. For commercial discounts, and advances upon loans.
3. For payments of coin and bullion.
4. For the current payments of expenses of their establishment.

And the holders of Bank-notes issued may be classed as follows:

- The bankers of London;
 - The different departments of Government;
 - The country bankers; and
 - The mass of town and country circulation;
- all of whom are interested in keeping as few Bank-notes as possible, because they are always a costly and an unproductive capital.

As the Committee lay so much stress on the *excess* of issue in Bank circulation, it will be useful to take a comparative view of its present amount, with that at different periods *previous* to the restriction.

By the Report of the Committee of 1797*, it was as follows:

	£.
On the 25th February, 1791	— 11,699,140
1792	— 11,349,810
1793	— 11,451,180
1794	— 10,963,380
1795	— 13,539,160
1796	— 11,030,110

And by the Report of the Bullion Committee, the issue of Bank of England notes above 5*l.* on the 12th March 1810, amounted to 14,136,610*l.*, making, therefore, an increase, compared with 1791, of 2,437,470*l.*, and with 1795, of only 597,450*l.*

How then does it appear, that the *new* situation of the Bank has so entirely altered their system, and increased their issues of paper to an *excess*? It would be no argument to say, that the Bank was paying in specie at the periods above referred to; for it will not

* Previous to the year 1797, no notes under 5*l.* were issued by the Bank of England.

be contended, that the Bank possessed specie equal in amount to their issues. With greater reason it may be said, that the governing principle of the Bank, in their issues of paper, has undergone no change from their *new* situation; and that the amount of these issues has been regulated by the real and legitimate wants of the public, regardless whether they exceeded at particular periods the usual proportion, compared with their specie in hand.

I think the Report is somewhat inaccurate, so far as it regards the year 1793. It says, p. 25, "A very urgent demand for guineas, though arising not from the high price of gold and the state of the exchange, but from a fear of invasion, occurred in 1793, and also in 1797; and in each of these periods the Bank restrained their discounts, and consequently also the amount of their notes, very much below the demand of the merchants." The alarm of 1793 was purely commercial, owing to the numerous failures which commenced in the autumn of 1792, and continued till the spring following. It is very probable, that the Bank of England did refuse to grant to the full extent the demands for discounts at that period: which demands, in a moment of general discredit and alarm, will

always exceed the *real* wants. But with respect to the amount of these issues, the Report of the Committee of 1797 states that the circulation was at its highest at the end of 1792; in January to March 1793, 11,963,820*l.*—in April to June, 12,100,650*l.*—and that the average of 1793, and 1794, was

In 1793—£11,492,500

1794— 10,699,250*;

which shows rather the reverse of a diminution in 1793. This is material only, because it is stated in the Report, as illustrating the usual habit of the Bank *previous* to the restriction;—that is, "of *contracting* their loans and their paper, when they found their gold taken from them."

The Directors in their evidence say, that other objects were necessarily taken into their general views and conduct, and that the state of foreign exchanges, merely and by itself, was not thought by them a governing criterion. Surely no person will say it ought to be so, who considers the important duties which the Bank has to perform, or who is acquainted with the frequent and considerable variations

* The exchanges were rather below par in 1794, and continued so until January 1796; notwithstanding which, the issues of the Bank were higher in 1795-6, than they were in 1794.

which occur in the exchanges during war—variations occasioned by events over which the Bank has not the smallest control. If, therefore, the Bank of England were to set up such a criterion, and that only, or principally, for their issues of paper, the confusion, and the mischievous consequences arising out of it, would be incalculable, without any possible advantage to the public.

This I say, without seeing any necessary connexion between the demand for the discount of good bills, and the amount of currency necessary for circulation; although, as a practical criterion, it may probably afford one of the best grounds for regulating their issues. I most decidedly differ from those persons (if any such there be) who think that the suspension of cash-payments could be made permanent without danger or inconvenience.

It is admitted, that the restriction of cash-payments was considered as a temporary measure; and it will not be asserted, that any of His Majesty's Ministers who advised it, looked forward to a war of such duration and expenditure. As, therefore, the propriety of the original measure is not a point of difference, but rather the imperious necessity

which is assumed of removing it, it ought to be made appear, that the causes which gave rise to it no longer exist. These causes are matter of notoriety and fact—not points of opinion. The subject, therefore, seems to resolve itself into the following questions; viz.

1. Do the same causes now exist which produced the restriction?
2. Are they to the same, or to a greater or less extent?
3. Is there any, and what, prospect of their being removed?
4. Can the Legislature be fairly accused of neglect for not having interfered? And if so, when ought it to have so done?
5. Should it now occupy their attention? and, what outline of plan could be proposed for their consideration?

Parliament is all-powerful in law, but it cannot perform impossibilities in fact.

In every respect it appears, that the concerns of the public, and not those of the Bank, occasioned the restriction in the first instance, and have rendered its continuance necessary. It is now as much as ever a question, how far public and private credit can be supported;—that is, how far either will be able to bear any reduction of circulation which the Bank may

find it necessary to make. To variations of occasional augmentation or contraction in its issues the Bank has always been, and must continue to be, subject; but they would be far more frequent, and more uncertain, were the Bank to adopt the rate of the foreign exchanges, as a criterion for their line of conduct in the issues of their paper. Besides, such changes might occur under circumstances the most inconvenient with regard to the necessities of internal circulation.

If it be attempted to show, that the payments into the Exchequer require a smaller amount of Bank-notes than appears at first sight, it will nevertheless be obvious, that it is not so much their *actual*, as their *comparative* amount, which it is material to keep in view;—and that sixty millions of annual revenue payments must be supposed to require more than double the circulating medium, that twenty used to do,—making a very liberal allowance for skill and economy in the use of them.

Some apparent difference of opinion arose between the Committee and the Governot. of the Bank, whether the Bank discounts were to be considered as capital, or as circulating medium; and they appear to have been both right, in different views of the subject. Every loan to a trader, though for a short term, is, I think,

an increase of capital for the time; but, when he has paid away the Bank-notes that he received, they are dispersed, and become circulating medium. If the Bank discounted with guineas, the case would be exactly the same, and then no doubt would have arisen about it.

When it is said, that “the necessary effect of any such addition to the mass (*i. e.* of Bank-paper) is, to diminish the relative value of any given portion of that mass in exchange for commodities” (p. 23); this may be true, if there be an equal employment for it, and no more than an equal employment. But, if new employments are found, or the former increase in extent, either the mass of circulating medium, whether coin or paper, or the rapidity of its circulation, or both, must increase,—to preserve the equilibrium of prices. Money-prices depend on the quantity of money, on the rate of its motion, and on the quantity of payments in a given space.

Any issue of Bank-paper, in the way of discount, or advances to individuals, inasmuch as it tends to encourage an *excess* of commercial speculation, *may*, in its effect, prove injurious to individuals; and so may any other advance, whether of specie or credit, of any description whatever. It would be difficult, however, if

not impossible, always exactly to ascertain the precise period, and still more difficult to form any settled criterion, when and by which the Bank Directors could interpose any other check, except such as must necessarily result from a practical knowledge of the general transactions going on in business, from daily habits and experience. Neither do I see any possible mode of continuing the existence of the Bank, if this should be deemed a confidence too extensive to be placed in any set of men.

“The suspension of cash payments,” says the Report, “has had the effect of committing into the hands of the Directors of the Bank of England, to be exercised by their sole discretion, the important charge of supplying the country with that quantity of circulating medium which is exactly proportioned to the wants and occasions of the public;—and on this point the Committee express great fears and alarms; for they add, that in *their* judgment, it is a trust which it is unreasonable to expect the Directors of the Bank of England should ever be able to discharge.” (P. 24.)

This opinion proceeds chiefly upon an assumption already noticed. They admit, however, that the quantity of currency required “will vary, in some degree, with the extent

“of trade; and that the increase of our trade, which has taken place since the suspension, must have occasioned some increase in the quantity of our currency.” But they contend, and very justly, that both public and private credit must be attended to. Let us suppose the amount of paper issues to be reduced to 11,699,140*l.* as it was in 1791 (or, in fact, to any other sum)—that this sum suffices, and that the Bank (as it then was) is paying in specie,—would it not still, and at all times, resolve itself into a question of *discretion* in the Directors, and in them only, to determine, whether they deemed it prudent to continue their circulation to that or any other extent? and would they not be bound to narrow it, if, in their judgment, it was considered too large? The resumption of cash payments would be no security against an excess of Bank Discounts, as the credit of the Bank, if the directors think fit to employ it, is almost unlimited; and, under these circumstances, there would be no parliamentary control over their proceedings.

A correct idea may be formed of the *reasonable* system laid down by the Committee for the guidance of the Bank, by bringing their axioms into one point of view: they are as follows.

First, That the issue of Bank of England paper is to an excess.

2d, That, as the grand panacea for all evils, the Bank is to resume cash-payments. And,

3d, That the Bank is to observe a wise and prudent caution for their own affairs, as well as for public and commercial credit; and particularly to be made accountable for any fall of exchange by limiting their issues.

And it must be confessed, that the Committee have thrown a degree of responsibility upon the Bank, which, in the present state of public affairs, would verify their own conclusion, namely, that it is a trust which is unreasonable (I think impossible) to expect the Directors (or any other set of men) should ever be able to discharge.

In a former page, I have intimated an opinion, that the system of country Banks issuing paper had been carried to an inconvenient extent; and it is necessary that I should give some explanation of that opinion, that it may not be attributed either to mere prejudice, or to the operation of principles inconsistent with what I have said with respect to the Bank of England.

But I must first observe, that the rule assumed by the Committee, of a consistent proportion subsisting between the issues of the

Bank of England, and the paper circulated by country Banks, appears to me to be erroneous. The fact, I believe, is, that the establishment of country Banks has, to a very great degree, reduced the circulation of Bank of England notes in the country. Wherever a new Bank has been established, the partners have endeavoured to extend the circulation of their own notes, by substituting them for those both of the Bank of England, and of other country Banks; and this practice has been carried on with so much competition and zeal, that scarcely in any part of the country is a Bank of England note to be seen, except when expressly demanded in discharge of a country note.

It is true, that the country Banks are obliged to keep a certain proportion of Bank of England notes to exchange for their own, when required; but in Banks of established credit, which, in their respective districts, enjoy a confidence little inferior to that of the Bank of England, this proportion is inconsiderable, and replaces but a small part of those Bank-notes for which their own have been substituted in general circulation.

On the other hand, whenever any circumstance happens to discredit the country Bank-notes, their place is necessarily supplied by an

increased circulation of Bank of England notes; but this is only temporary. The two species of paper currency are, therefore, so far from increasing and diminishing together in a corresponding proportion, that they jointly compose a general mass of paper currency, of which one part always contracts as the other is extended.

But it is not on account of the interference of country Banks with the circulation of the Bank of England, that certain parts of their present system are objectionable. They undoubtedly, when conducted on solid and rational principles, answer many important local purposes for which that great establishment could not provide,—and have contributed their share to the general improvement of the country; nor do I think them likely to occasion any general and permanent excess of paper currency; though local and temporary excesses may happen, from the over-issues of particular Banks. For as no one will keep more of a paper, which produces no profit, than he expects to have occasion for, any over-issue of a particular Bank will soon return to it for payment, unless it can be kept in circulation by driving out some other currency.

It is a fundamental rule in the management of the Bank of England, not to issue notes,

except upon such security as is not only solid and secure, but of a nature certain to be realized at a fixed and known period. Hence the Directors retain the power of controlling the amount of their notes at any time, and of contracting or extending their issues, as the nature of circumstances may require.

If the management of country Banks were always equally prudent, they would, though less profitable, be proportionably more secure; and certainly the local knowledge and connexions of a country Bank may often justify its dealing in such securities as do not come within the strict rules of the Bank of England. But the facility of creating capital by the issue of paper, too often tempts them to make advances, either exceeding the fair amount of their trading stock, or upon securities sometimes unsound though specious, but more frequently ultimately solid, though not easy to be immediately realized; and especially landed securities.

The Bank of England itself, soon after its establishment, fell into this error, and was involved in some difficulties in consequence of it; of the many private companies which have fallen sacrifices to it, the famous Bank of Air is a noted instance.

There is a species of business carried on

by many country Banks, of a dangerous nature. This takes place, when partners are also engaged in other trades, and carry them on to excess with the paper of their own Bank, advanced upon their personal security. It is evident to what an extent the issues of a country Bank may be carried in such a case; and the mischiefs resulting from it are equally obvious.

These are the principal points in which the system of country banking appears to me to require regulation—of which, however, I admit the difficulty and delicacy; and that any rash and violent interference might occasion even greater mischiefs than those which result from the present system.

The state of our gold coin, although so nearly connected with the resumption of cash-payments, is but slightly noticed by the Committee.—I do not pretend to offer an opinion upon this important point; but that the amount is insufficient for the purposes of our circulation, seems generally admitted.

To attempt a coinage in the present state of things, would not only be attended with heavy loss, but increase the depreciation of the foreign exchanges, by our becoming large purchasers of the precious metals, in a moment of real scarcity, and while they were wanted

for other immediate purposes. But so soon as these wants shall cease, which the state of the exchanges will point out, an influx of bullion will follow, and we may then begin to convert it into coin, because it will be *surplus profit realized*. I know no other principle upon which we could become purchasers of bullion, without positive loss, and no possible advantage. The purchase can only be effected by degrees, especially if it be during a time of war, which renders us so liable to fluctuations arising from sudden and uncontrollable causes.

Had we continued the payment of only *part* of our commercial transactions in coin, as has been the practice in some parts of the Continent, such a portion of it would have been retained at home as those transactions required, notwithstanding the high price of the precious metals, and any depreciation in the foreign exchanges. For, as no equivalent *could* have been offered for an article, which would *then* have been of the *first* necessity, no temptation could have existed to part with it.

It may be remarked, that, from the period of the *first* extension of country banking, a very visible diminution took place in the general circulation of coin, and has continued ever since. Previously to this period, almost the whole

rental of the kingdom, and the taxes, were paid in coin; and, at a moderate computation, there could not be less than five millions of circulation necessary for these purposes: all of which has been drawn out since the general establishment of country Banks, which gradually substituted their paper in lieu of coin, long before the suspension of cash-payments at the Bank.

On the subject of commercial discounts, the Report says, "that they have been progressively increasing since 1796; and that their amount in 1809 bears a very high proportion to their largest amount in any year preceding 1797." And the paragraph concludes thus:—"Upon this particular subject, your Committee are only anxious to remark, that the largest amount of mercantile discounts by the Bank, *if it could be considered by itself,* ought never, in their judgment, to be regarded as any other than a great public benefit; and that it is only the excess of paper-currency thereby issued, and kept out in circulation, which is to be considered as the evil."

This paragraph appears to me obscure; or, perhaps, my ideas have not reached the expanded liberality so suddenly adopted by the Committee. I should consider "the largest

"amount of discounts" as a great national evil, rather than "a great public benefit;" because it would imply a great extent of speculation, to which the Directors of the Bank were an approving party,—a situation in which, I believe, they never yet stood. It would have been desirable if the Committee had explained, by what means the Bank could increase its discounts, as they here propose, without an *increased* issue of paper, which the Committee consider already as excessive.

For although the Bank be open to the public, the applications for discounts are entirely voluntary on the part of the public, and unsolicited on the part of the Bank: the former, therefore, will cease to call, when there is an excess. Great applications for discounts may, indeed, arise from distrust and apprehension of mercantile embarrassments, although the circulation is fully supplied; but this can only be temporary. Surely an excess of local currency does necessarily return to the issuer, and, in the case of the Bank, more speedily than in any other, as it is the receiver of the whole revenue of the country.

In every event the excess of paper, here alluded to, can only bear upon *the increase* of discounts, as far as applies to the Bank, which

cannot possibly amount to one twentieth part of the paper-circulation of the kingdom.

A trivial internal improvement (useful enough as far as it goes), in the manner of transacting the daily payments, is made a matter of importance—"BUT, ABOVE ALL," say the Committee, "the same amount of currency will be more or less adequate, in proportion to the skill which the great money-dealers possess in managing and economizing the use of the circulating medium;" this the Report then goes on to explain from evidence. And had there been no evidence, would it not have been sufficiently obvious, that *self-interest* would effectually guard the money-dealers against the use of *more* Bank paper than was absolutely necessary?

Nor will it escape observation, that the very inference which the Committee so much labour to draw from the economy used in the application of Bank paper, though intended to prove that a *less* amount would suffice, goes in opposition to it,—and shows, that, with all the skill and economy of the great money-dealers, their concerns cannot be carried on with less. How are we to reconcile the skill and economy which we read of in one part of the Report, with the *excess* of issue kept out in circulation, which is mentioned in another?

Again, it is said, "An enlarged accommodation is the true remedy for that occasional failure of confidence in the country districts, to which our system of paper-credit is unavoidably exposed." I think this must be admitted; but where is the discretion to rest, if not with the Bank?

When, speaking of the runs upon the Bank in 1793 and 1797, page 27, they say, "for which, perhaps, an effectual remedy might have been provided, if the Bank had had courage to extend, instead of restricting, its accommodation and issue of notes." Although many persons may be found to subscribe to this opinion, with less difficulty than to some of the other tenets of the Committee, and without incurring the risk of inconsistency, it is worthy of notice, how actively the same weapon is employed in different ways. At one time, these Bank-notes are to be our ruin; at another, our only hope. The lamentations over the evils of paper-circulation all subside, the moment they can be made use of to dissipate an alarm! Is not this saying, in other words,—*Do not attend to what we told you in our Report about your paper-issues; but give every one plenty of it, as soon as he calls for guineas?*

I shall insert an extract of a similar kind, which occurs in the following page of the Re.

port, leaving it to be its own comment: "If any
 "general and serious difficulty or apprehension,
 "on this subject (a reduction of Bank-notes),
 "should arise, it may, in the judgment of
 "your Committee, be counteracted, WITHOUT
 "DANGER, and with advantage to the public,
 "by a LIBERALITY in the issue of Bank of
 "England paper, proportioned to the urgency
 "of the particular occasion."—

I most cordially agree in the anxious and deliberate opinion which the Committee report to the House, in the following terms:

"That the system of the circulating medium
 "of this country ought to be brought back,
 "with as much speed as is compatible with a wise
 "and necessary caution, to the original principle
 "of cash-payments, at the option of the holder
 "of Bank paper." And I should be sorry to think, that any thing had been said in the course of these remarks contrary to the true spirit of this opinion. My objections are founded upon what appear, to me, the improper application of this general principle, to circumstances, which render its adoption impracticable.

In reasoning upon the suggestion for the Bank to become purchasers of bullion,—it must be assumed, in the first place, that gold is obtainable, which I very much doubt, to the extent that would be necessary for the Bank

to purchase, which cannot be supposed to be less than one or two millions in amount.—In payment of such purchases, the Bank would issue their paper, and so far they would have discharged THEIR debt to the immediate seller. But it would still remain a debt unliquidated, and due to *foreigners*; inasmuch as the commercial balance against the country would be increased in an equal amount.

This *new* purchase of bullion must necessarily increase the fall of the exchange, *in the first instance*, and probably to as great an extent as double the amount of commercial imports; because the bullion purchased, until coined, and thrown into circulation, would neither directly nor indirectly afford any means of increasing exportation.

I say, in the *first instance*, because, the Bank having resumed its cash-payments, an exportation of gold in an increased ratio would be facilitated, our foreign debts more speedily paid, the exchange necessarily recovered, and consequently the export of gold would cease. This payment would therefore be in part effected by an export of coin and bullion, with the additional useless expense of coining one or two millions of *new guineas*, merely for the purpose of sending them abroad. If we are

prepared to allow a *free* export of such a quantity of bullion as will settle our foreign balance, and, on this supposition, can also provide a sufficient stock to meet any future foreign expenditure,—the resumption of cash-payments need not be delayed.

If, on the other hand, the exportation of coin, and bullion produced by melting coin, could be effectually prevented, I think there can be no doubt that the resumption of cash-payments would only serve to depress the exchange farther; because the purchases of gold made by the Bank would, for reasons stated, lower it more even than purchases of other articles to an equal amount. As the coin issued from the Bank could not be exported in liquidation of our foreign debts, it could in no degree tend to raise the exchange again: it would only replace, in our internal circulation, an equal nominal amount of paper currency, at a great expense; and one which is wholly unnecessary, if that paper preserves full credit.

But the Committee appear to reason upon the first supposition, viz. that if the Bank were to pay in specie, that specie would, in fact, be melted down, and exported in greater quantities than the bullion purchased by the Bank abroad, and so serve to discharge, in part, our foreign balances.

This, as the law now stands, would be merely giving countenance to, and encouraging, an illegal trade:—but, even supposing the law altered, there appear to be two great objections: first, the injustice of throwing upon the Bank the loss occasioned by a state of things to which it has in no respect contributed; and secondly, the impolicy and danger of attempting an operation, the success of which is extremely problematical, and which, if it fail, must occasion the most alarming consequences. For, if the exchange should continue unfavourable, which is but too much to be apprehended, from the measures taken to cut off our commercial intercourse, and from the increasing amount of our foreign military expenses,—and gold should in consequence flow out of the Bank faster than it can be brought in,—it is evident that the Bank must soon stop its cash payments from actual necessity, or suspend almost all its business, in order to avoid the issue of paper for which cash might be demanded. And it is obvious, that either of those alternatives would produce effects upon public and private credit, more formidable than any thing that we have yet seen.

I cannot avoid expressing a regret, that, in speaking of the general increase of prices, or, as they term it, the depreciation of currency,

the Committee express themselves in a manner which seems to give too much countenance to the prejudices of individuals, and to the opinions of the more uninformed classes of the community. An operation of currency totally opposite to what really exists, is put forward and argued upon. There appears to me however a very material difference in their effects, between an increase in the money-prices of commodities, and a decrease of the intrinsic value (or, more properly, the efficient value) of a national currency, whether coin or paper, or of both united, below its real value.

The pound (as was the livre in France) being the national measure of values, if the current coin be reduced *below* the original value, this has been usually called a depreciation of currency; and will have the effect of diminishing the *real* money-price of things: as they will for some time, at least, continue to be sold at the same nominal prices, in coin of diminished value: and this has in fact proved to be the case in the successive depreciation of the French coin. If the quantity or activity of the national currency be *increased*, this will have the inevitable effect of increasing the money-price of commodities; and, by an inversion of terms, this is also

called a depreciation of the value of money, although it has neither the essence nor the consequence of a depreciation on the national state of things.

To the individual, indeed, whose nominal money-income is £100 a year, the primary effect is the same, whether the currency in which he has been paid his £100 will, after he has received it, only pass for £95, or whether the prices of commodities which he must purchase with it rise to £105. But in all collateral effects, there must be an obvious difference; and that difference has been practically demonstrated in the state of circulating mediums in general;—and nowhere more distinctly than in the early and latter state of French assignats.

A diminution of the total amount of circulating currency has the primary effect of disabling the holders from making the *same* payments as they could previously, and operates in a most important degree as a *check* to national industry. Whereas an increase of the quantity or activity of a circulating medium, received and paid at *par* with its nominal value, has the primary effect of enabling the holders of it to make *greater payments* than they could previously have done,—to give, for this reason, a *higher price* for commodities; and

thus operating in a most important degree as a *stimulus* to national industry. I believe that the history of currencies, whether of coin or paper, will practically demonstrate the truth of these distinctions; although it not unfrequently happens, that we *search* for effects, and *guess* at their causes.

The currency of England has not increased in any kind of proportion to the effects ascribed to it, either by the Committee, or by some other writers on the subject; for the rapidity of circulation has increased much more than the amount of currency, and has enabled the same quantity to carry on a much greater extent of transactions. But another circumstance has tended much more to render an increase of currency unnecessary. This is, the great increase of securities producing interest, and being immediately convertible into money; such as the negotiable securities of corporations or individuals, and the various kinds of the floating Government debt. These securities are of an intermediate kind, between fixed property, and circulating medium; partaking, in different degrees, of the profitable nature of the one, and the ready transferrability, at a fixed value, which is the essential characteristic of the other.

It remains, Sir, to state more particularly what appear to me to have been the causes of the recent fall in the foreign exchanges; and to submit these general observations to your judgment, without any apology for the length into which they have been drawn, by the importance of the subject.

The events which overwhelmed the Continent of Europe, and laid its trade under restrictions subservient to political purposes, have united to throw a monopoly into our hands. In this monopoly we have often exulted; and, although I am not disposed to undervalue it, yet I cannot help thinking, that it has been accompanied by dangers and inconveniences arising out of the very extraordinary circumstances with which it has been attended.

Our surplus articles of home manufacture, and foreign produce, seem to have increased with the difficulties of finding markets for them; and although the enterprising exporter had succeeded in getting them deposited in a place of safety, and surmounted the *first* difficulties; he had to encounter still greater difficulties in conveying them to a market of consumption, and was exposed to delays and uncertainties, which produced a heavy expense upon his goods; and compelled him either to extend

his capital, or, if he could not do that, to raise money in other ways, to enable him to stand the advance.

Nor is this evil confined to exports. The same immense surplus, above our wants, is to be found in our imports, with the same difficulties as to a vent for that surplus. So that we have been industriously accumulating a magazine at home and abroad, beyond what can be introduced into consumption in foreign countries (in the present state of things) as well as our own; which, by requiring a very large additional capital, compels the exporter and importer to have recourse to shifts and expedients for the raising of money to support the inconvenience of tardy sales on their large unproductive stocks.

These expedients may be considered in two respects:—on the one hand, as tending to promote a fall in the foreign exchanges; and on the other, as swelling the amount of our home circulation. In the first case, the amount of bills drawn and re-drawn, in the way of accommodation, must add to the aggregate of bills to be negotiated upon England in foreign parts, and therefore increases the depreciation already existing in the foreign exchanges. In the second case, this accommodation, being kept

up at home in drawing and renewing of bills, for the purpose of raising money, tends also to increase the total amount of circulating medium requisite to carry on such extended transactions. When, therefore, it is said in the Report (page 11), that "the real difference of exchange, resulting from the state of trade and payments, can never fall lower than the amount of such expense of carriage, including insurance;" this can only be when the payment is prompt; but not if circuitous modes of accommodation are resorted to. An unfavourable course of exchange includes interest during the postponement of real payment, for the time that the debt to foreigners continues to change hands; and, under such circumstances, the merchant may be disposed to pay a heavy rate of interest for this temporary accommodation.

In the trade of individuals, a system of postponing payment of debts, by drawing bills in the way described, is commonly attended with ruinous consequences. Probably, also, in the great sphere of national commerce, the profit on the capital by the same means retained within a country, will seldom equal the cost of retaining it; and especially in the extent to which substitutions for that capital may be employed without producing ill consequences.

Questions may arise as to the good policy, or ultimate profit, of the substitutions adopted; and, upon the decisions of those questions, the greater advantage of paying off debts to foreigners, or of paying premiums for bills drawn to pay bills, will greatly depend:—or, in other words, whether it be preferable, and in what extent, to reduce the quantity of current coin, or to pay the cost of an unfavourable course of exchange? Within certain limits, either the one course or the other may, according to circumstances, be most prudent; and either, pushed beyond due bounds, must be necessarily mischievous.

However gratifying, in the receipt of a custom-house, the profits of an excessive importation may be, yet no importation of merchandise can ever be profitable, beyond the extent in which it is paid for by the produce of national industry. I mean to say, importation for domestic consumption; for if only received in an emporium, from which it is again distributed to foreign countries, the case is different; though, even then, often attended with the same disadvantages which take from the ostensible profit; and, perhaps, not seldom, with the additional inconvenience of encouraging commercial speculations, unsupported by adequate capitals to secure their advantageous termination.

It may be, that the impediments to commercial intercourse throughout the Continent, have materially altered the facilities of making payments without a portion of bullion remittances; and that merchandise sold in one part cannot, so easily as formerly, be made by the sole intervention of bills of exchange for merchandise sold in another.

If it should be true, in any degree, that one cause of the scarcity, and consequent increase of price, of the precious metals with us, was an over-facility given to an extended paper-currency; it has been a growing evil, of many years standing, and certainly not attributable to the conduct of the Bank of England; that is, not to the sanctioned, but to the tolerated currency of the country.

But, under such an admission, does it follow, that any check, arising out of a legislative interference in the present system, would restore the former state of things? Or, rather, would it not be almost a necessary consequence, that it would impede its restoration? If the means which have so remarkably promoted national industry, by facilitating the communication of capital, are to be abridged,—before a surplus of their produce has re-purchased the bullion exported,—is it likely that, with an impeded internal circulation, we shall speedily be able to re-purchase it? Let it never be forgotten, that

it cannot come back again, but by a favourable balance of commerce, to an amount exceeding our national expenses in foreign countries. The value of our export trade does not depend upon the *quantity* exported, but upon the prices *received* and *realized*. A diminution of imports will, probably, want no recommendation; and this would be a step towards meliorating the course of exchange. If, therefore, the total amount of our foreign trade should, hereafter, be less dazzling than it has been, it may still prove more substantially beneficial to the country at large, as well as to the individuals engaged in it; and it may bring what is so strongly urged by the Bullion Committee, nearer to being realized, than could be expected from any attempt which precedes the means, and outruns the object.

I well know how visionary all the advantages of external commerce have been considered by some ingenious casuists. You will not, Sir, I trust, suspect me of subscribing to their tenets; for, although I think that national, as well as individual evils, have grown out of the late too rapid increase of our trade; I am equally persuaded, that, in happier times, the same, or to a greater extent, would be productive of much national prosperity.

In conclusion:—The Committee seem to think,

that though some difficulties and dangers must be encountered, in effecting the important change which they recommend, they may be sufficiently provided for, by entrusting to the Directors of the Bank of England the charge of conducting the operation, and by allowing the period of two years for completing it.

But who can say, that, at the expiration of the period proposed, circumstances may not be still more unfavourable to the resumption of cash payments than at present? If, in the interval, it should be found unnecessary to continue our armies and our fleets abroad—if the freedom of trade were to be restored, and the country to be blessed with plentiful harvests, these indeed would be great preparatory events towards enabling the Bank to return to its regular course of business.

But *are* the Directors of that establishment, or *ought* they to be, invested with the conduct of the operations of war? Far less can they be supposed to direct the councils of Bonaparte, or to govern the course of the seasons; and unless they could do all this, where is the justice of making them responsible, or the wisdom of attempting to bind them to a precise and definite period?

The Committee state in substance as their opinion, that the mere expectation of the time

when the Bank shall be constrained to open, would be productive of advantage. I must beg leave so totally to differ from them, as to think that nothing could be more hurtful than such an expectation encouraged by legislative authority, and afterwards frustrated;—except, indeed, a second interruption of cash payments after they shall have been actually resumed. An unsettled system is always injurious; but in no case more dangerous, than in pecuniary transactions, and in those especially that depend upon credit.

It appears to me, that the wisdom of the Legislature has already fixed the resumption of cash payments, at the only period which human wisdom can point out; namely, the restoration of peace, which will necessarily remove many of the difficulties that now exist, and afford the fairest prospect of removing them all.—It will also be attended with a most important advantage, to which I have not yet alluded, viz. that as it will then no longer be necessary to raise loans for the public service, the large sums annually issued by the sinking fund, will operate as an increase of capital thrown into the general money-market; and even in the first year amply replace whatever accommodation the Bank may find it necessary to withdraw, in consequence of its purchases of bullion for coinage. That the period of peace is uncertain, and may

be remote, must be confessed; but among the numerous evils which unavoidably accompany the continuance of war, the suspension of cash payments is certainly not severely felt.

That it is a state which requires the attention of the Legislature, I am ready to admit; that it is a state liable to mismanagement, on the part both of the Government and the Bank, may be true; but I firmly deny, that any proof, or just ground of suspicion, of mismanagement or abuse, has been pointed out.

It has been shown, that the evils of an unfavourable exchange, and the high price of bullion, are to be traced to political and commercial causes wholly independent of our internal currency, and such as have produced a similar state of things at other periods, when our currency was in what the Committee call its "sound state;"—that if these evils exceed in duration or degree what has been formerly experienced, the causes which produced them are also most extraordinary in their extent, duration, and degree; and some of them wholly novel and unprecedented in their nature.

I have also shown, why there appears no ground to suspect a depreciation of our currency, either from the extent to which it has been carried, or from any circumstances of our internal situation; and that the analogies drawn

from other countries which have laboured under the evils of a depreciated currency, are not only groundless, but, when impartially examined, lead to a directly contrary conclusion.

The remedy proposed by the Committee, being, as I think, founded on a mistaken view of the case, would probably fail in producing the beneficial effects expected from it; but even were these effects more promising, the experiment could not be made at the present moment, without incurring alarming dangers: and that the discussion itself, as it tends to unsettle the public confidence in a system which it is not at present possible to change, cannot but be accompanied by risk and inconvenience.

I shall only add my very sincere wish, that whatever course may be finally adopted, may prove to the real and permanent advantage of the country.

I have the honour to remain,

Sir,

&c. &c.

North Town,
December 1, 1810.

THE END.

S. GOSNELL, Printer,
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