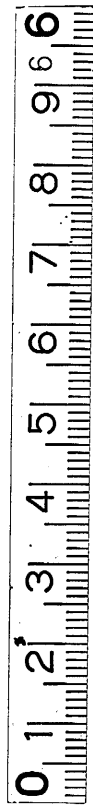


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ON THE

**BULLION COMMITTEE.**

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**DOUBTS**

AS TO THE

**EXPEDIENCY OF ADOPTING**

THE

**RECOMMENDATION**

OF THE

**BULLION COMMITTEE.**

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*By JOHN FONBLANQUE, Esq.*

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1810.

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**DOUBTS**  
AS TO THE  
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OF THE  
**BULLION COMMITTEE.**

I AM bound to presume, and, indeed, sincerely believe, that the Report of the BULLION COMMITTEE is the result of the most anxious consideration of the several points referred to their investigation; but, with every disposition to defer to the opinion of a Committee, constituted of Members of considerable Commercial Experience, great Political Knowledge, and, certainly of unquestionable Probity, I cannot prevail upon myself to think that, the measure which they have recommended to the Legislature is calculated to produce the intended effect; on the contrary, its tendency appears to me to be directly the reverse. Under this impression,

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I shall respectfully state the grounds upon which my opinion is formed, in the hope, that, if they are sufficiently strong to support it, they may lead to the further consideration of a subject of the highest Commercial and Political Importance.

The points referred to the Committee, were,

1. The High Price of Bullion;
2. The State of our Circulating Medium;
3. The State of Exchange between this country and foreign Parts.

With reference to these several points, the Committee are of opinion, that the Bank ought, after the expiration of two years, to be required to make their payments in notes or specie, at the option of the party entitled to receive; whence, I conclude, that, in the judgment of the Committee, payment in specie, or the right to demand it, would lower the price of bullion, improve our circulating medium, and give a favorable turn to the course of our exchange.

*First:—The High Price of Bullion.*

I CONCEIVE gold, in the form of bullion (under which description I include not only gold in bars, but, also, foreign coin, and our own light coin) to be an article of merchandize, the price of which is affected by all those circumstances which affect the price of any other article; in other words, that, on

its abundance, or scarcity, and the nature and amount of the demand for it, depends its market price; whereas gold, in the form of coin of standard weight, has a fixed determinate value, under which the holder will not part with it, and above which no one can, as the law now stands, legally give for it.

It may be proper to advert to another distinction between bullion and standard coin.

Gold in bars, and foreign coin, may be melted down, or exported.

Gold, in coin under the standard weight, may be melted down, but may not be exported.

Gold, in coin of standard weight, may not be either melted down or exported.

Thus it appears, that, gold in a certain form is applicable to purposes to which gold in coin of standard weight is not; whence I infer, that gold, in the form applicable to a purpose to which gold in coin of standard weight is not, may, when such purpose is to be answered, bear a price above that gold which is not applicable to such purpose.

To illustrate my meaning, I will suppose four parcels of gold, of equal weight and purity; one of gold in bar, another of foreign coin, the third of

our own light coin, and the fourth of gold of standard weight.

A broker wishing to purchase for exportation, will give more for the gold in bar, because exportable, than he will give for our light coin which is not exportable; and he will give still more for the foreign coin, because it is not only exportable, but, when it has reached its destination abroad, it is more easy of circulation. With the other two parcels he can do nothing. To the goldsmith, however, our own light coin is as useful as the gold in bar, or the foreign coin, because, though not exportable, he may melt it, and apply it to the purposes of his trade; but neither the broker nor the goldsmith can legally bid for the standard gold. If therefore, the demand for convertible bullion should materially increase, the price of it will necessarily rise, in order to answer the purposes to which it is exclusively applicable. But it must not thence be inferred that it has acquired an additional general permanent value, for, as the price was raised by the demand of the broker and goldsmith, so it would fall by the reduction of such demand; or by an increase of the article to supply it. But the price is influenced not only by the scarcity of the article, but by the nature of the demand for it. If the demand of the broker was to answer a commercial purpose not of immediate urgency, the price would, probably, not

be materially affected by it; but, if it were to answer some great political exigence, of an importance sufficient to supersede every consideration of price, the holder of the article would probably avail himself of such state necessity, and raise his price accordingly; but if after supplying such demand the holder had bullion remaining, and were to carry it with standard coin into the corn or coal market, or any general market, and tender it in payment or exchange for purchases he had made, he would in vain insist upon the circumstances which had enabled him to sell it at a price above its mint value to the broker; and, in all probability, the standard guineas would be preferred.

The three parcels being sold at different prices per ounce, the next question is, how are they to be paid for. If in notes, and, in consequence thereof, notes amounting to more than if paid for in standard coin, it would be a fair conclusion that notes were depreciated; but, if the vendor would require the same amount, whether in standard coin or in notes, notes and standard coin might both be depreciated, but the one not more than the other.

Should it be said, that the payment would be in standard coin of equal weight, then what would become of the difference of price of the several parcels; for their weight being equal, they would all be paid for with an equal weight; and, conse-

quently, though the vendor had contracted for more for one parcel than for another, he would receive the same for each. To avoid this, it must be said, the payment would be the same, whether in standard coin or notes; and as that would prove that the standard coin was as much depreciated as notes, it would prove the cause of such alleged depreciation to be not the generally decreased value of the standard coin, but the increased value of bullion, to answer special purposes\*.

It may here be proper to notice the observation of Mr. Huskisson upon the above state of the gold market, as that in which the light guinea would find a price above that of the standard guinea; which appears to me to be one of the inconveniences incidental to a coinage of standard value; but which he describes as an unusual state of things. Though it be an unusual state of things, it certainly is not new and unprecedented, for whenever the market is very little above the mint price of gold, the light gold must become, for particular purposes, as bullion, more valuable than the coin of standard weight; and "that the Bank (before 1797) had been frequently obliged to buy gold higher than the mint price; and, upon one particular occasion, gave as much, for a small quantity, which their agent purchased from Portugal, as 4*l.* 8*s.*" is distinctly stated in the report of the Committee.

\* See note (a).

The evil, however, does not appear either in this nor in any of the other instances to which the witness alluded, of such high prices having been paid for bullion to have been traced to the then state of the circulating medium.

If I am correct in these observations, the question, with reference to the cause of the high price of bullion, would be, whether it can be ascribed to a diminution of the quantity of it in the market; or, supposing the quantity to be as heretofore, to an increase of demand for it, and that demand to answer a purpose of so much commercial or state importance as to lessen, or even supersede, the consideration of price: and most of the witnesses examined by the Committee, have given it as their opinion, that "the high price of bullion is ascribable to the scarcity of that article, arising out of the unusual demand for it upon the Continent of Europe." The Committee, however, do not agree with the witnesses in this opinion, but observe, that in "the sound and natural state of the British 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." (Report, octavo edit. p. 4, 5). And conclude, that "a general rise of all prices, a rise in the market price of gold;

“ and a fall of the foreign exchanges will be the  
 “ effect of an excessive quantity of circulating me-  
 “ dium in a country which has adopted a currency  
 “ not exportable to other countries, or not con-  
 “ vertible at will into a coin which is exportable.”  
 P. 17, 18.

In support of their opinion, that the cause assigned by the witnesses is not the real cause of the rise of bullion, they, amongst other observations, state, that “ if there were an unusual demand for gold upon the Continent, such as could influence its market price in this country, it would, of course, influence also, and, indeed, in the first instance, its price in the continental markets; and it was to be expected that those who ascribed a high price to a great demand abroad, would have been prepared to state that there was a corresponding high price abroad,” (Report, p. 5.)

This reasoning would be correct, if the demand for bullion on the Continent were exclusively to supply the wants of the Continent; but the demand alluded to by the witnesses is not as, I conceive, the demand for bullion on the Continent to supply exclusively the wants of the Continent, but to supply chiefly our own; and if for the purpose of answering such demand resort is had to our own market, as it would increase the demand for the article,

so it would raise its price at home; and, as the exportation by us would increase the quantity on the Continent, it would certainly not raise the price on the Continent, but, if considerable, reduce it.

The Committee next proceed to observe, that, “ with respect to the alleged demand for gold upon the Continent for the supply of the French armies, that if the wants of the military chest have latterly been much increased, the general supply of Europe with gold *has been much augmented by all that quantity which this great commercial country has spared in consequence of the substitution of another medium of circulation.*” (Report, p. 7.)

The object of the Committee was to shew, that the unusual demand for gold was not the cause of the high price; and, if I understand the above passage, they refer to the augmented quantity as the means of answering the unusual demand, which seems to me to admit, that, as an increase of the quantity of saleable gold would keep down the price, so the want of such increase would keep it up, or enhance it; and, if so, the question would be, whether the augmentation of the quantity of gold, by the circumstance stated, was equal to the increase of demand for it; and, until it be proved that it was, the opinion of the witnesses is not shaken by the remark of the Committee,

But the observation of the committee, that "the general supply of Europe with gold has been much augmented by all that quantity which this great commercial country has spared in consequence of the substitution of another medium of circulation," seems to me to furnish an additional objection to the proposed measure of cash payments, as such measure must necessarily, in a greater or less degree, withdraw the aid that the military chest has latterly received from such substituted medium of circulation, and consequently raise the price of gold; the increased demand for which is alleged to have been hitherto aided by such augmentation.

The Committee proceed to remark, "that though the circumstances which might occasion such an increased demand, *may recently have existed in greater force than at former periods*, yet in former wars and convulsions of the Continent they must have existed in such a degree as to produce some effect," and they refer to the evidence of Sir Francis Baring, to shew that "during the seven years war and the American war no want of bullion was felt in this country." I cannot perceive how this observation affects the opinion of the witnesses; it admits that the circumstances which might occasion such increased demand may recently have existed in a greater force than at former periods, but as it does not define the degree in which they may have existed in greater force, it seems to allow of the

possibility, at least, of the witnesses being correct in their opinion, as it allows of the possibility of the circumstances which occasioned such increased demand, having recently existed in such greater force than at former periods, as to have occasioned the present high price as a corresponding increase of effect.

The Committee having stated the grounds of their objections to the opinion of their witnesses, as to the unusual demand for gold on the Continent being the cause of the alleged scarcity of the article, proceed to remark, that "the evidence laid before them, had led them to entertain much doubt of the alleged fact, that a scarcity of gold bullion had been experienced in this country." It is not my purpose to controvert any position of fact upon which the Committee rely, I shall therefore concede, for the purpose of the argument, that there is ground for the doubt professed by the Committee, of the alleged fact that a scarcity of gold bullion had been recently experienced in this *country*; but though there may be no scarcity of gold bullion in the country, there may be a scarcity of it in the market, and the effect of a scarcity in the market would, as to price, be the same as a scarcity of it in the country; and should it be said there is no scarcity of it in the market, I would then ask whether one of the advantages expected by the Committee, from the Bank's resuming its payments in cash, is not the bringing into circulation a



greater quantity of coin, which, though not legally exportable, yet which would, though illegally, be exported, or clandestinely transmitted to the Continent. But if the quantity of gold in the market be already sufficient, why should the Committee so strenuously urge a measure, the principal expected advantage of which will be to bring in more? I however do believe, that not only the demand for gold has increased, but also that the quantity of it in the market has diminished.

Having stated the grounds upon which I conceive that the opinion of the witnesses, (to whose general knowledge and practical experience the Committee referred for information) is not weakened by the reasonings of the Committee, I shall now consider the opinion of the Committee as to the cause of the high price of bullion.

“ In this manner a general rise of all prices, a rise  
 “ in the market price of gold, and a fall of the foreign  
 “ exchanges, will be the effect of an excessive quan-  
 “ tity of circulating medium in a country which has  
 “ adopted a currency not exportable to other countries,  
 “ or not convertible at will into a coin which is ex-  
 “ portable.”

The Committee will, I trust, excuse my transposing the sentence.

An excessive quantity of circulating medium, in a country which has adopted a currency not exportable to other countries, or not convertible at will into a coin which is exportable, will occasion a general rise of all prices, a rise in the market price of gold, and a fall of the foreign exchanges.

The Committee have thus, as I conceive, distinctly stated the cause to which they ascribe the high price of gold, to be the excessive quantity and exceptionable quality of our circulating medium. With respect to the excess of its quantity, the Committee are decidedly of opinion that it is ascertained by the high price of gold and the low rate of exchange, and contend that the Bank Direction lost sight of the principles which ought to have regulated its issues, in neglecting to advert to those criteria of sufficiency and excess.

The Committee having stated that the high price of gold is the cause of the low rate of exchange, the low rate of exchange at any period may be considered as evidencing the high price of gold, and thus we may, in a degree, supply the want of information as to what was the price of gold at any period when we find a low rate of exchange.

For this purpose the papers No. 47 and 49, in the Appendix to the Report, are extremely useful. It appears from No. 47 that the lowest rate of exchange

in the year 1797 was on the 4th of March, when it was 34-1, and when the amount of bank notes in circulation was £10,412,412; and that the highest rate of exchange, during that year, was on the 26th of December, 38-5, when the amount of bank notes in circulation was £11,440,879. In the course of the year 1797 we therefore find the rate of exchange becoming more and more favourable, although the quantity of bank paper was increased full 1-10th in amount; but in the year 1801 the rate of exchange fell to 29-8, which being considerably below par, the bank ought then, agreeably to the principles prescribed by the Committee, to have reduced its issues of paper, which then amounted to thirteen millions and a half, (See No. 49.) The bank however did not lessen their issues, but, on the contrary, increased them, and from January 1803 to the end of 1807, the amount of its paper in circulation appears to have been from sixteen and a half to eighteen millions, and the exchange appears to have fluctuated from 32-10 to 35-10. If therefore these documents may be relied upon as correct, I think they show that the rate of exchange is at least not a conclusive criterion of the sufficiency or excess of paper in circulation; and as the rate of exchange is alleged to be governed by the market price of gold, the market price of gold cannot be adopted as a more satisfactory criterion.

With respect to the exceptionable quality of our circulating medium, as I purpose to consider it here-

after, I shall only remark, that our circulating medium, for at least centuries past, has been liable to the same objection of its being in a currency not exportable to other countries, and not convertible into a coin which is exportable, for standard guineas cannot legally be exported, and will not, if reliance may be had on the evidence, produce more exportable coin than an equal amount in bank notes.

The Committee having stated the cause of the high price of bullion, and low rate of exchange, have suggested to the legislature the corrective which they conceive to be best adapted to the evil, namely, that the bank should, at the expiration of two years, resume their payments in cash or notes, at the option of the party receiving.

The measure of suspending payments by the Bank in specie, was, as truly represented by Mr. Huskisson, a measure of extreme necessity, and was never intended to continue beyond the pressure of such necessity; and if the circumstances which constituted such necessity have ceased to operate, and are not likely to recur, and no other circumstances creative of an equal necessity have since arisen, I should concur, in what I believe is the general wish, that the Bank should resume its payments in cash; I beg, therefore, to be understood as not meaning to favor the continuance of the suspension one day beyond what the public interest may require,

and general convenience allow of \*; but whatever may be the advantages to be derived from the resumption of cash payments, I cannot connect them with those looked forward to by the Committee, namely, the reducing of the price of bullion and improving of the rate of exchange.

The Committee, in recommending the resumption of payments in cash, appear to have thought that such payments would allow of the exportation of a greater quantity of gold; whereas, *if the law continues as it now is, which restrains the melting or exporting of standard gold, not a single ounce of gold could be legally added to the quantity now applicable to such purposes; on the contrary, by increasing the demand of bullion for the purpose of coinage, there would be less applicable to the purposes of the gold smith and exporter of bullion †*: it may however be observed, that the Committee take it for granted, that though the law prohibits the melting or exporting of standard coin, yet that such would be the practice, thus founding the utility of the measure not upon the observance, but on the violation of those laws, the policy of which is generally supposed to be sanctioned by the experience of centuries. If, however, those laws are not applicable to the present state of things, it would certainly be more proper to repeal them than to encourage their violation.

\* See note (b).

† See note (c).

But suppose that those laws were repealed, and standard coin exported or melted down, yet as payments in cash would require a larger quantity of coin to be always in circulation, it would be necessary to supply the want of that melted down or exported, which would not only tend to increase the price of bullion, but place the bank in the condition of buying bullion at a high price, and issuing it as coin at a lower price \*; this must be the effect, for if the market price of bullion be not above the mint price, there would be no temptation to export guineas; and, if it be, then the bank must purchase at such price, in order to supply the want of the guineas so exported; and, if such supply were drawn from the foreign market, we must, in a greater or less degree, depend on the Continent for the means of upholding our circulating medium. But I think I may venture to state, that, in the present relative condition of the Continent and this country, we are called upon to look forward to, and so far as circumstances may allow, provide against every advantage that might be taken by the government of France, of any measure adopted by our own; and that if the proposed resumption of payments in specie would afford to France the opportunity of inflicting a heavy blow on our commerce and credit, we ought not to calculate upon her forbearance. Supposing, however, that

\* See note (d).

the Bank were compellable to make payment in specie to all persons demanding it, and that our standard specie were exportable, is it not possible that France might, by her immediate authority in her own dominions, and by her evil influence, or, rather, controul over the other continental powers, require all persons resident on the Continent, under even the pain of death, to convert their property in our funds into specie, and in that form to export it from this country to the Continent. The amount of such property is stated to be less than I had supposed; but, taking it at seventeen millions of stock, its probable produce in specie would be above 10 millions, which being sent out of the country, would be attended with consequences, more or less mischievous exactly in proportion to the degree of public credit then attaching to our paper currency; for it were vain to imagine that its want would be presently supplied, and if the public were given to believe, that without gold, paper was of no value, the effect must be a total depreciation of paper, and an increased anxiety to hoard up gold.

If I am correct in stating, that such conduct on the part of France would prove injurious to this country, am I not warranted in considering it as that which France is likely to adopt; and, if so, I think I shall be justified in stating, that whatever advantages might be derived to our foreign commerce from such a measure in a different state of

things, it would, in the present state of things, be useless as to that, and, at least, put in hazard the advantages we now actually derive from our home trade, an object, in the opinion of Dr. Adam Smith, of even superior consideration.

Having endeavored to shew, that the proposed measure of cash payments by the bank would raise rather than lower the price of bullion, I shall now proceed to state my reasons for believing that it would, under existing circumstances, prejudice rather than improve the state of our circulating medium.

2dly. As to the state of our circulating medium.

It is not my purpose to question the propriety of the preference given to the precious metals as a circulating medium in any country which possesses them in sufficient quantity to answer that, and the several other purposes to which they may be usefully applied; but it seems to me to deserve consideration, whether the superior advantages which they in many respects possess as a circulating medium may not be acquired too dearly.

Before we decide upon the question, what is the medium of circulation best suited to this country, we ought to be prepared to state what is the quantity required; and, if we have it not, how the deficiency may be procured; for I should think

whatever may be the superior advantages of the precious metals, if we have them not in sufficient quantity to answer the purpose of a circulating medium, such advantages will not countervail the mischief of a deficiency in our circulating medium.

If we have a sufficient quantity of bullion to answer all the purposes of a circulating medium, without prejudice to those commercial and state purposes to which it is indispensibly necessary, I admit, that, provided we could preserve it, we might usefully so apply it. But if we have it not, how are we to procure it. All markets open to our commerce are already abundantly supplied with our goods, and those which are shut against us we cannot render more accessible than we have done already. In this consists a difficulty which appears to me to be conclusive; but it may be said, that the purpose is not to render gold and silver the only circulating medium, but to restore our circulating medium to what it was before the year 1797, when the restrictions on payment in specie were imposed. Such may be the purpose of the Committee; but if the gold and silver that can be brought into circulation is not sufficient to answer every demand for them, in exchange for paper, who can prescribe the limit of such demand; such was the pressure that led to the restriction in 1797, and surely the recurrence of such a pressure is not rendered less probable by the events of that period. In short, if the Bank has, now the

means, or, in two years, can acquire the means, of paying in specie to the amount required as a circulating medium, their notes ought to possess the highest degree of credit, and payment in specie would be unnecessary; and their gold might be more profitably employed, and, its price materially reduced. But if the bank has not the means, nor can acquire them, the amount of the circulating medium must be reduced, or the paper issued to supply the deficiency would necessarily be most mischevously depreciated. And it is admitted, that the depreciation of our paper currency naturally raises the price of gold, the present high price of which is one of the evils complained of. If I am correct in this view of the subject, the measure proposed by the Committee is either unnecessary or dangerous; and, conceiving as I do, that paper currency may be rendered, in our domestic dealings, an efficient substitute for gold and silver, I shall now proceed to state the regulations which might render it so.

To render paper an effective substitute for gold, the holder should feel confident that it will, equally with gold itself\*, produce to him the relative value of that which he gave in exchange for it, and for that purpose it is necessary.

- 1st. That paper in the hands of a *bona fide* holder should be regarded as genuine, at least, by the party issuing it.

\* See note (e).

2d. That the tender of it in payment should be as operative in point of law as a tender of payment in gold.

3d. That there be not a larger quantity of it in circulation than can be usefully employed.

4th. That in the event of its depreciation, the party who issued it has property to answer its amount.

First.—That paper in the hands of a *bona fide* holder should be regarded as genuine, at least, by the party issuing it.

I have always lamented that the Bank of England should have refused payment of forged notes purporting to be notes of the Bank of England, in the hands of a *bona fide* holder, for as the private marks by which the Bank detect the forgery are unknown to the public, the individual cannot distinguish the genuine from the false. To this circumstance may be ascribed the reluctance of many persons to take bank notes, and the preference given by most to gold; for they observe, that, as they can judge of the goodness of the guinea, and not of the genuineness of a note, there is a risk of loss in taking the one which does not belong to the other, and, to obviate this objection to bank paper, I should hope the Bank would pay forged notes

when in the hands of persons whom they have no reason to believe to be connected with the forgery; for, as the loss must fall somewhere, it seems to me to be more just that it should fall upon the party who claims the right of issuing paper, and derives a benefit from it, than upon the innocent party who is in a certain degree obliged to receive it without being enabled to judge infallibly of its genuineness.

2d. That the tender of it in payment should be as operative in point of law as a tender of payment in gold.

As the law now stands the tender of payment in bank notes will protect the party making it from arrest upon mesne process, but it will not protect him from being taken in execution, and if he has not the means by which he can convert his paper into specie, he may, whatever may be his wealth, be consigned to the miseries of a jail. In this respect the law appears to me to be seriously defective, but as there is scarcely an instance of a creditor's having availed himself of it, which, probably, would have been the case if payment in specie had been more advantageous to him than payment in bank paper, it seems to furnish an additional and strong argument against the alleged depreciation of bank paper.

3d. That there be not a larger quantity of it in circulation than can be usefully employed.

When the quantity of paper issued exceeds that which can be usefully employed, there is not only the probable danger of its being depreciated, but the almost certainty of its being injuriously applied; for I cannot agree with those who seem to think that no public inconvenience can arise from the quantity of paper in circulation, however great it may be.—The facility of procuring paper must necessarily facilitate payments to be made in it, and if the possessor of any article wishes to enhance the price of it by withholding it from the market, he certainly can more easily accomplish his purpose when paper is plentiful than when it is scarce; because, when it is plentiful, he can more easily procure it, and satisfy the demands upon him; whereas, when it is scarce, for want of such facility he must sell his goods to answer such demands. Thus we have recently heard of goods which had been long withheld from the market being forced into it in consequence of the Bank of England most judiciously refusing further accommodation to the owners of them. This is, however, a point which must in a great measure be left to the discretion of those who may be authorized to issue paper; and, I think, with reference to certain regulations, may be safely left to such discretion, which brings me to the remaining requisite to secure credit to our paper currency, namely,

4th. That in the event of its depreciation, the

party who issued it has property to answer its amount.

With respect to notes issued by the Bank of England, I have no doubt of the Bank's possessing property fully equal to the answering of the amount, but still, I think, that their paper would acquire additional credit if it had the guaranty of government; and, for that purpose, the amount of their paper in circulation being about £20,000,000. sterling, £50,000,000 of redeemed three per cents might be usefully transferred to trustees as a further security, in consideration of which the Bank should let the public have a share of the profits of their paper so guaranteed.

As to private and country bankers, the credit of their paper might be increased by allowing a greater number of persons to embark their property in partnership, by affording the public an opportunity to judge of the sufficiency of such partners to the conduct of the concern, and, by ascertaining the value of the property intended to be engaged in it and pledging it to holders of their paper, for which purposes it would be necessary.

First, to repeal so much of the act of the 6th Anne, chap. 22, as restricts the issuing of paper payable on demand by any partnership consisting of more than six persons.

Secondly, by registering the names and descriptions of all the partners.

Thirdly, by valuation of the property intended by the partners to be specially pledged for the engagements of the partnership.

Fourthly, by conveying and assigning such property to trustees, and limiting the issue of paper to three-fourths of its estimated value; and, if any additional security should be thought requisite to inspire complete confidence, it might be safely given by the transfer of an adequate portion of redeemed three per cents., for which guaranty a per centage might be reasonably expected by the public.

Paper issued under such circumstances, would, if not the representative of the precious metals, be the representative of equally substantial property; and I am much mistaken if, as the distrust of paper would become less, the circulation of gold and silver would not become greater; for, as the distrust of paper diminished, the reason for bankers keeping back large quantities of gold and silver to answer a run upon them would also diminish, and, consequently, a larger quantity would get into circulation: but this is not the only advantage that would result from giving stability to our paper currency, for, by so doing, we should lessen our

demand for bullion; and, consequently its price would fall; and as we should have less to pay to the Continent for it, we should have a larger demand upon the Continent in respect of goods sent to it, and, consequently, the rate of exchange would, in a certain degree be rendered at least less unfavorable to us.

Thirdly.—It remains now to consider the unfavorable state of the exchange between this and other countries.

It is not my purpose to investigate the causes which may have occasioned the present unfavorable state of the exchange between this and other countries, but to submit, and certainly most respectfully, to the opinion of the Committee, the doubts which affect my mind, as to the tendency of the measure recommended by their report to render it more favorable.

The rate of exchange has, by some, been supposed to depend upon the balance of trade. This opinion, however, is mistaken, as there may be many demands upon a country that are "not included in those official documents by which the balance of trade is commonly estimated;" whence



it is said, "that the rate of exchange must depend not on that balance, but on the balance of payments." I should be sorry to cavil about terms, but as precision of expression seems to me to be material to a correct understanding of the subject, I hope I shall be excused for substituting "the balance of demands in the course of payment," for "the balance of payments," as that upon which the rate of exchange depends.

But though the rate of exchange does not necessarily depend exclusively upon the balance of trade, yet the balance of trade does certainly most materially influence it. The first consideration, therefore, with a view to a correct opinion, as to the cause of its present state would be whether the balance of trade be in our favor, and, if it be, then to consider what may have been the demand upon us by means of which the rate of exchange is turned against us; for I assume it to be unquestionable that if the balance of trade were in our favor, and our demand in respect of it available; and there were no demands upon us on other accounts the rate of exchange would be in our favor. But it is not only necessary that the balance of trade should be in our favor, but also that it be available, for if a million were due from individuals in France to individuals in England, and half a million from individuals in England to other individuals in France, yet if the individuals in

France could not, or would not, pay the million due from them, but the individuals in England were anxious to pay the half million to their creditors in France, the rate of exchange with France would be against England, notwithstanding the balance of trade were apparently so decidedly in its favor.

But suppose the balance of trade to be in our favor, and also that the demand in respect of it is available, yet such demand may not only be affected by the political and miscellaneous circumstances enumerated by the witnesses and Sir John Sinclair, but by the demand of the Continent upon us in respect of the vast property that was entrusted to our safe keeping during the most alarming periods of the revolution, and which, as the Continent becomes, or is supposed to become, more tranquillized, the owners of it may be gradually withdrawing\*.

But, whatever may have been the cause of the present unfavorable state of the exchange, payment by the Bank in specie appears to me to be the least calculated to give it a favorable turn; and, that, principally, for the reason which I have already stated, that it would raise the price of bullion, and by converting a large quantity of it into coin, lessen that quantity which is exportable, and, as such, exclusively applicable to the reduction of the rate of

\* See note (f).

exchange, so far as its reduction depends upon gold.

To conclude ; the propositions upon which I rely, are,

1st. That the high price of bullion cannot be reduced by the adoption of a measure that must necessarily increase the demand for it, unless there be an increase of quantity to answer such increase of demand.

That the requiring of payment in specie would increase the present demand for bullion, and there is no apparent increase of quantity to answer such increase of demand.

2d. That, until the price of bullion is materially reduced, the throwing of a considerable quantity of standard coin into circulation would present an additional temptation to the melting and exporting of it, and, unless the want occasioned by such application of it were, from time to time, supplied by more, our circulating medium would not be improved, but might be greatly discredited by the experiment.

That if such want of standard coin were to be supplied by the Bank, it would be attended with a ruinous loss to the Bank, and would ultimately compel the Bank so to restrict its issues as might defeat all the advantages deriveable from a circulating medium,

3d; That if the low rate of exchange is occasioned by the high price of bullion, as it is alleged to be, the measure that tends to raise the price of bullion still higher cannot improve the rate of exchange. Such however is the tendency of the proposed measure.

Having stated the doubts which affect my mind as to the tendency of the measure recommended by the Bullion Committee, and submitted to public consideration the importance of rendering our circulating medium as little dependent on the continental powers as circumstances may allow, I have only to express an anxious wish, that, as the subject deserves the most serious attention, that it may speedily be discussed in Parliament; for should the Bank and private bankers, from an apprehension of being called upon to make their payments in specie materially lessen their issues in paper, and withhold their hitherto accustomed accommodation to

the mercantile world, the most serious consequences may ensue; and much do I fear, that the present alarming number of bankruptcies is, in a considerable degree ascribable to the suddenly withholding of that aid that the most honest and best established tradesman occasionally requires, and without which the young beginner can rarely proceed. I mean, not, however, to pursue this branch of the subject, fully confident that, as it is most intimately connected with the public welfare, it will be duly attended to by those charged with the sacred duty of promoting it.

## NOTES.

(a) Few Publications have excited more general attention than Mr. Huskisson's pamphlet, and none ever more amply requited it. The clearness and perspicuity with which he presents and reasons upon every topic connected with the question displays the most intimate acquaintance with its principles and bearings; but, I must confess, that after repeated perusals and anxious reflection upon it, I cannot accede to his conclusion in favor of the measure recommended by the Bullion Committee, and which he draws principally from the supposed injurious depreciation of our currency.

It is true that when a bank note for one pound will not purchase  $\frac{2}{3}$  of the quantity of gold certified by law as being contained in a guinea, that such note is depreciated; but, it is equally true, that, if the guinea will not purchase the full quantity of gold so certified to be contained in it, the guinea is also depreciated; but this must always be the case when the market price of gold is above the mint price; and, if so, it has probably been the case for many years, because it is hardly to be supposed that the price has been stationary; and if it had been something under the mint price, the holder of it would have sent it to the mint where he would have got the mint price.

Should it be said, that it is not the mere circumstance of depreciation, but the amount and continuance of it that excite the present alarm. The depreciation is certainly consi-

derable, but it is only relative to bullion, and occasioned by causes not of permanent, but merely temporary operation. But whatever may be the nature of the cause that has led to such depreciation, the proposed measure will not, in my view of the subject, counteract it. See note (c).

(b) Should I be asked, when that period is likely to occur, my answer is whenever the market price of bullion has been for a certain time under, or at, the mint price, as such state of price will shew that the extraordinary demand for it has ceased and that it may be usefully employed as coin.

(c) That large quantities of bullion, are, in Mr. Huskisson's opinion, now exported, and that the gold so exported possesses a *privilege* that the law has taken away from other gold, and that under *present circumstances this privilege makes it more valuable*, may, I think, be fairly collected from the following passage in his pamphlet, page 89, 90. "Hence it appears, that the market of this country, for internal consumption, is fallen off almost to nothing, whilst the market of the Continent remains just as brisk as before. The necessary result is, that whatever gold there may be in England, or may come to England in the course of trade, and which can be legally exported, goes to the better market. It possesses a *privilege* which the law has taken away from other gold; and, under the present circumstances, this *privilege* makes it more valuable. There is nothing surprising in this, any more than there would be to find that a better price was given for *exportable coffee*, for instance, if that *privilege* were given only to a certain limited quantity, and the remainder of the stock in hand were confined to the comparatively small consumption of this country." May I presume to ask whe-

ther the remainder of the coffee in hand would be correctly considered as depreciated in value?

(d) I cannot but admire the philosophy, with which Mr. Huskisson has made up his mind to the loss which the Bank must necessarily sustain by this operation; and which, unless it can be compensated in the manner in which he has stated it may be compensated, may prove incalculably great. Mr. Huskisson, says page 90, "The only way to stop this exportation of gold, is, that the Bank should give the market price, and revive the use of it in circulation. If that price be 90s. per ounce, 90s. must be given: but, in proportion as the value of their notes in circulation shall be raised by the gradual withdrawing of the present excess, that price will diminish, until it shall be restored to the mint price, and their notes consequently to par. On the other hand, if the excess of Bank paper shall continue progressively to increase, 90s. will soon cease to be a sufficient price for an ounce of gold; and either more must be given, or it will continue to be carried to other markets."

I will not say with Mr. Huskisson that this is the only way of stopping the exportation of gold, but I certainly must admit, that it is the most effective, for it proposes nothing short of buying up all the exportable bullion, be the price what it may. But though such procedure might, in the end, bear down all competition, it would certainly give to the holder of the article the advantage of naming his own price; and, if so, how is the price to diminish by the gradual withdrawing of the present excess of notes in circulation. If however Mr. Huskisson does not mean that the Bank should pay any price, but merely a fair price, the competition would then continue between the broker for exportation, and the Bank for coinage;

and, I think, I may venture to state, that the reduction of the present price would not be the effect of such competition.

But however expensive this experiment of stopping the exportation of bullion would prove to the bank, it certainly would not have the effect of stopping the exportation of standard coin, for, if the wants on the Continent could not be supplied with bullion, our coin would be resorted to as the only means by which it could be supplied; so that the Bank would be purchasing, say, at £4 10s. and issuing at £3. 17s. 10½d. to enable the holder of standard coin to export it at a price, perhaps even higher than £4. 10s.

(d) I say equally with gold itself, because, when the standard guinea will not produce as much bullion as the guinea is certified to contain, it cannot be supposed that the note will; but I have already endeavored to shew, that, when such is the high price of bullion, it is to be referred to accidental circumstances, and not to the quality of our currency, as the effect would be the same though the currency were exclusively gold, unless it were liable to be dealt with as bullion.

(f) The statement of exports includes all property put on board; but, from that quantity, must be deducted property captured or lost at sea, and which has, of late years, been of considerable amount.

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