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A
DEFENCE
OF
BANK NOTES,
BY
JOHN GRENFELL, Esq.
SECOND EDITION,
WITH
TWO LETTERS
TO
FRANCIS HORNER, Esq. M. P.
CHAIRMAN OF THE BULLION COMMITTEE.

LONDON:
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1810.

PREFACE

TO THE
SECOND EDITION.

THE popular error of Bank Notes being depreciated, and a delusive appeal to the High Price of Bullion, and course of Foreign Exchanges, as proofs of the Depreciation, were industriously spread at a time, when the French Government interdicted, and actually excluded from the Continent, every commodity coming from England, except Gold and Silver: Bullion, however, always bade defiance to restrictions of Importation, as well as of Exportation, and has been, during a long period, the only article of value, which Masters of Vessels returning to France, or to the Countries subject

to France, would venture to take back, even in payment of their Freights.

Circumstances are now materially changed, with the Disposition of the French Government: Bullion is no longer the only Return in which the British Merchant can pay the amount of his Importations; the Course of Exchange is advanced nearly 10 per Cent., and the price of Bullion must fall, unless demand for the intended Coinage should counteract its present tendency. Taking the Statement of the Committee of the Honorable House of Commons, "that there is no Scarcity of Bullion," as established, Bank Notes (I mean only those of the Bank of England) should no longer bear the odium of having occasioned the high Prices of Gold and Silver: the danger of Coin being exported is already considerably diminished, and if there be no fresh impediment, will soon cease to justify any apprehensions on the Subject; with which must also end the

necessity of restricting the Bank from paying their Notes in Specie on Demand.

I beg leave to call the attention of the Public to Mr. Locke's Arguments, for making Silver the Standard of Value, as stated at length in my Letter to the Chairman of the Bullion Committee.

Examination of the Foreign Exchanges, from the date of the Restriction to this day, directly proves, that the mixed Currency of Great Britain has maintained its Value at par with the Coins of France and Germany, as far as the Course of Exchange has any relation to the Question.

The High Price of Bullion is more triumphantly cited to prove the Depreciation of Bank Notes; but is equally indecisive: the Prices of Gold and Silver must ever follow the Course of Exchange, from the facility of trans-

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porting those Metals from one Country to another, whenever there is a difficulty in sending other Commodities, to settle the outstanding Accounts of an unfavorable Balance of Trade: Gold advanced in price last year as the Course of Exchange fell; and there cannot be a High Price of Bullion, long after the Course of Exchange shall have recovered the par.

J. G.

21st Sept. 1810.

A DEFENCE

or

BANK NOTES, &c.

Among the complaints of the times, the depreciation of our Paper Currency is imaginary; the scarcity of gold and silver, as circulating media of internal commerce, is unnecessarily made a subject of alarm: even were the Bank of England obliged to pay their Notes in specie on demand, this measure would be unavailing to any purpose of public utility or convenience; it would also be impolitic and unjust.

In a recent publication, "The High Price of Bullion is considered a Proof of the Depreciation of Bank Notes," and assuming the excess of the market prices, above the mint prices, of the precious metals to be, in effect, a discount on paper, the author says, "The extraordinary powers with

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“ which the Bank Directors are entrusted, enable
 “ them to regulate at their pleasure, the price at
 “ which, those who are possessed of a particular
 “ kind of property called money, shall dispose of
 “ it; they have imposed on these holders of money
 “ all the evils of a maximum. To-day it is their
 “ pleasure that 4*l.* 10*s.* shall pass for 3*l.* 17*s.* 10½*d.*
 “ to-morrow they may degrade 4*l.* 15*s.* to the same
 “ value, and in another year 10*l.* may not be worth
 “ more.”

This would be an alarming power, such as no Briton would ever wish to see placed in the hands of the Bank Directors or of any other body; no such power exists: there is a perversion of terms, money and bullion being confounded in this and other parts of the argument. The spirit of freedom, which prevails in our laws, has imposed no restriction on the bullion trade, but—for the public good—very indispensable restrictions, and very severe penalties, on the purchase and sale of money. The price of bullion, like that of any other valuable commodity, is high or low, according to the demands for the use of the country or for exportation, and according to the quantities at market. Money has no legal price, although it regulate the value of every kind of property; its own value is in its *use*, and, as a durable instrument in every body's hand, it serves to promote the interests and facilities of all commercial transactions; but let the price of

bullion rise or fall, money admits of no variation: defacing, melting, and exporting, the coin of the kingdom, are punishable under particular statutes, enacted for the maintenance of this valuable servant: the money that we possess, indeed, all the money that any of us have in our purses, is not absolutely our own, but as tickets for the simple purpose of procuring us what we want, of the necessaries, comforts or luxuries of life; we may not sell, cut, melt, nor export it: the holders of money having received it at a specific nominal value, representing certain portions of all transferable property, and impressed, as it is, with the image of the Sovereign Authority of the kingdom, may not dispose of it, at any other than the same nominal value, at which it came into their possession. Were there no Bank Notes, the price of bullion might advance, from extraordinary demands, at home, or abroad, and from interruption of the ordinary supplies from the mines, in the same proportion as it has lately done; in which case the money of this country would be, relatively with the money of other countries—considerably enhanced in value—but as to its use in the channels of internal circulation, nominally and virtually, of the same unaltered value, and this without any injustice; in such a case the only injustice would be to the community, if any person should collect the King's coin, and transport it to other countries, for private emolument.

I have in vain sought to find the alledged con-

nexion between the high price of bullion and the value, nominal or real, of Bank Notes: there is no more than with the price of wheat, of sugar, or of wool; and were there a superfluous quantity of Bank Notes issued in consequence of the Bank's subserviency to the profusion of a minister, the effect would be directly the reverse of what we now witness: another medium of currency would wholly occupy the place of coin, and consequently bullion being less wanted in this country, would be at a low price.

The high price of bullion cannot be imputed to the Paper Currency of this kingdom: it is more properly ascribed to the difficulties and disadvantages, under which our foreign trade is conducted with the neighbouring states of Europe, and to the destruction of commercial credit, in the unhappy countries under the dominion of France, where from want of confidence in the government, and in one another, ruined as many have been by exactions and contributions, merchants pay and receive only in the precious metals: both these causes now combine to increase the demand for bullion; increased demand will advance the price of bullion, as well as of any other commodity; notwithstanding which a clamour is raised, on these grounds, against the accredited and lawful medium of our internal circulation, avowedly for the purpose of obliging the Bank to pay their Notes, on demand, in specie; although it is certain that every guinea, which might

issue from the Bank at 3*l.* 17*s.* 10½*d.* per ounce, would be immediately sold at 4*l.* 10*s.* and exported. 3

This is fairly admitted in Mr. Ricardo's Pamphlet, page 29, he says, "The law is allowed by all writers on political economy to be a useless barrier against the exportation of guineas; it is so easily evaded, that it is doubted, whether it has had the effect, of keeping a single guinea more in England, than there would have been without such law. All," he says, agree on this subject. Yet in the next page he adds: "Repeal the law against the exportation of guineas, permit them to be openly sent out of the country, &c.;" but the Bank Directors will take care to avoid such indiscretion.

The examples of individuals profiting by the present prices of bullion, in any circumstances, not connected with its exportation, are all fallacious: Mr. Cobbett pretends that the labouring man might have the full benefit in paying his weekly score to the victualler: a writer in the Morning Chronicle informs us: "If the public annuitant had guineas, and was permitted by law to sell them, instead of the quartern loaf costing 16½*d.* it would only stand him in 12*d.* or 13*d.* or what would come to the same thing, he could procure one fifth, or one fourth greater quantity of bread:" and in the pamphlet which I have before quoted, it is asked, page 31, "If the price of a coat were 3*l.* 17*s.* 10½*d.* or an ounce of gold, and if at the same time, an ounce of gold would sell for 4*l.* 13*s.*, is it con-

“ ceivable that it would be a matter of indifference
“ to the tailor, whether he were paid in gold or in
“ Bank Notes?”

To which the answer is obvious: Certainly it would not be indifferent, whether he received what would procure him 3*l.* 17*s.* 10½*d.*, or what would procure him 4*l.* 13*s.*; no more than it would be indifferent to the person, who had bought the coat, whether he paid for it in paper or gold: in such case, neither of the parties would receive the money, whether gold or silver, or paper, but at the rate, at which they would afterwards circulate it. If we suppose the same common sense, and the same free choice on both sides, we should not pay a tailor 3*l.* 17*s.* 10½*d.* in gold, could we give him that sum in paper, and sell the gold for 4*l.* 13*s.*

There is not less sophistry in the idea of procuring one fifth or one fourth more bread, in consequence of the high price of bullion: as well might it be expected from the high price of *lead*—those who propose such an advantage, overlook or conceal this circumstance, that even were it not inconsistent with public convenience and public justice, to allow the sale of money, the labourer would have to buy a guinea, before he could profit by its increased value, and to pay for it either in paper or in additional labour; his employer would not give him his wages in coin, of an improved value, without a deduction of the whole amount, which he himself (the employer of the labourer) might get by selling his gold to the

bullion merchant. One fifth or one fourth more bread can only be produced from more plentiful harvests—the gift of God—or from man’s additional labour: no alteration in the price of bullion, no change in the nominal value of money, would add a single loaf to the ordinary allowance of any man: it is strange this should have escaped the penetration of Mr. Cobbett.

It has been a subject of complaint in the investigation of this subject, by writers of the greatest celebrity, that there has not yet been introduced a permanent and unvarying common measure, to regulate, as by an universal standard, the relative value of all transferable property: Mr. Locke considered silver as the most proper metal—Lord Liverpool is said to have maintained, in opposition to Mr. Locke, that for this purpose gold is preferable: the quarter of wheat has been suggested as capable of fixing the prices of every other commodity, and the Roman name of money (*pecunia*) derived from a flock of sheep (*pecus*) seems to countenance the idea; but neither cattle nor wheat would be a common standard in the present diversified, improved, and extended state of society: the quantum of a day’s labour has been proposed, with more regard to benevolent equality in the distribution of property, than any just or attainable advantage in business: the value of silver, of gold, and other metals, of the quarter of wheat and other grain, and the wages of labour, all vary according to the demands and supplies of their respective markets, depending on the abili-

ties, the desires, the necessities, and caprices of mankind: none of these, therefore, could long serve as a standard of value, for the numberless and variable commodities of extensive trade: commercial intercourse is nevertheless carried on, enriching nations and individuals without this desideratum, which perhaps has not yet been discovered—certainly it is not gold nor silver.

The market prices of those metals exceed the mint prices, I admit; they differ also between themselves in the degree of that excess; gold at 4*l.* 10*s.* per ounce being 12*s.* 1½*d.*, and silver at 5*s.* 9½*d.* being only 7½*d.* per ounce, above the mint prices, in which there is an inequality, amounting to more than 2½ per cent; as well might this be considered a proof of the depreciation, or a discount on silver; as easily might one fourth or one fifth greater quantity of bread or beer be procured to the public annuitant, or the labouring man, from the price of gold bullion being so much higher than that of silver, as from the relative advanced high price of bullion, compared with the standard coin of the kingdom. From these considerations, I conclude, that the advantage, which the public could receive from a general circulation of gold or silver, in lieu of well accredited paper, is chimerical; that therefore the proposal, to oblige the Bank to pay their Notes, in specie, on demand, would be unavailing to any purpose of public utility and convenience; and as the law against the exportation of coin is so easily evaded, an extraordi-

nary issue of gold or silver at this present time, when the price of bullion is so high, would only encourage illegal practices of melting and exporting; and in this light the measure must appear impolitic and unjust.

These observations I submit to the judgment of the public on a most interesting branch of political economy, which has been misunderstood, and being viewed through a false medium, is made an unjustifiable aggravation of the evils of the age.

This I have undertaken to show, and I think no other conclusion can be deduced from facts, nor reconciled with principles extracted from the "Enquiry into the Causes of the Wealth of Nations:" it is demonstrable that the riches of a people consist not in their gold and silver; but in the productions of their labour, whose value will be in proportion to the industry, skill, and abilities of the workmen, to the excellence of their machinery for shortening labour, and to the magnitude and application of accumulating capital. This elementary, I might say axiomatic, principle of political economy is delightfully elucidated by ADAM SMITH; but I do not recollect, where there is any countenance given to such ideas, as that the high price of bullion could ever be a proof of the depreciation of an accredited Paper Circulation, or that Bank Notes could be considered, as representatives of coin, which is itself but an imperfect representative, of different proportions of all transferable property.

The absurdity will not however be lessened, if we

take Bank Notes, as representatives of guineas, crowns, or shillings: were there no other circulating media than gold or silver, no Bank of England nor Country Bank Notes, the market price of bullion might, and, from uncontrollable causes, as at the present juncture, would occasionally advance, above the mint prices of the coin,—could it then be admitted that the coin in general was at a discount? Such an admission would be only increasing the inconveniences already mentioned, as supposed to arise from the want of an invariable common measure of value.

There is now a difference of more than $2\frac{1}{2}$ per cent. between the relative prices of gold and silver, compared with the mint prices: is it then proved that our crowns and shillings are at a discount?

Were gold and silver to fall 10 or 15 per cent. below the standard, as well might a clamor be supported against the Bank, because a pound might then be manufactured for 17s.

Guineas, crowns, and shillings, buy the same quantities of bread, meat, sugar, wine, and all other commodities, as Bank Notes: if the latter are at a discount, the former must be so also in exactly the same proportion; indeed if Bank Notes are only representatives of coin, the latter must be first depreciated: such erroneous views are only to be traced to the inadvertency, of considering the current coin of the kingdom as saleable, of supposing guineas, crowns, and shillings, to retain an intrinsic disposable value,

of which they are deprived by specific acts of parliament, in order to their being used, only as instruments, not as objects of exchange: money is an indispensable instrument, but an illegal object of trade in this country: there can be no discount on what may not be sold. A repeal or suspension of the statutes, against impairing or exporting coin, which might be advantageous to the melter and exporter, in case of an advance like the present, and a repeal of the statutes against counterfeiting the coin of the kingdom, which might be equally desirable for coiners, in case of a considerable reduction in the prices of bullion, any alteration of the established laws would be incompatible with the interests of commerce, and with the convenience of the public.

The similitude of a highway has been introduced to exemplify the nature of money: the first is as necessary for the conveyance, as the latter is for the exchange, of commodities: business would be much impeded from want of either. Travellers differ in opinion, as to the advantages of roads paved with granite or pebble, and those laid in gravel, but neither the *Grands Chemins* of the continent, nor English turnpike roads, which may cross and be bounded, on both sides, by corn-fields and meadows, belong to the adjoining landlord, more than to the common passenger: the King's highway, and the King's coin, are alike public, not private, property, with no other difference, than in the greater facility which is found, in secreting and exporting the one, than in breaking

up and appropriating the other: the proposal for allowing the sale of coin, on account of the high price of bullion, deserves to be entertained with the same attention, as would a requisition, from a few lords of manors, to break up and cultivate the high roads, on account of an advance in the value of land.

Guineas, crowns, and shillings, no more become the property, by passing into the hands, of any individual, than the ground on which the feet may rest on the highway: this is evidently the view of the Legislature in the titles of the several statutes, for the maintenance of this grand medium of circulation.

Money may not be melted into plate, on pain of imprisonment, by the statutes 9 Edward 3. St. 2. c. 3. 17 Ric. 2. ch. 1. 17 Ed. 4. c. 1.

Money shall not be impaired, 25 Ed. 3. stat. 5. ch. 2.

Washing, clipping, and filing money, made treason, 3 Henry 5. st. 2. c. 5. and 6. Clipping, or lessening money, made treason, 5 Eliz. ch. 11. and 18 Eliz. ch. 1.

Gold and silver shall not be carried out of the realm, 9 Ed. 3. st. 2. ch. 1. 38 Ed. 3. st. 1. ch. 2. 5 Rich. 2. st. 1. and 2. 2 Hen. 6. ch. 6. 17 Ed. 4. ch. 1. 4 Hen. 7. ch. 23. and 3 Hen. 8. ch. 1. Foreign coin and bullion may be exported free, 15 Car. 2. ch. 7. § 12.

It is these several statutes, which have imposed on all his Majesty's subjects, the duty, of passing for 3*l.* 17*s.* 10½*d.*, those portions of coin, which they

take at that rate; and many of these laws were enacted, before the incorporation of the Bank of England.

There is an absurdity in the idea of a "Maximum," on what may not be bought, nor sold, at any price: nor is it the pleasure of the Bank Directors, that can make "4*l.* 10*s.* to-day," "4*l.* 15*s.* to-morrow," nor "10*l.* in another Year," pass for 3*l.* 17*s.* 10½*d.*; on the contrary there are salutary laws which prohibit every one, from asking or receiving more than 3*l.* 17*s.* 10½*d.* for the gold coins of the kingdom: and, if there are persons who make guineas an object of traffic, at either of those advanced prices, in defiance of the laws, the requisition for the Bank of England, to pay their Notes on demand, in specie, at the rate of 3*l.* 17*s.* 10½*d.* per ounce, which specie there is so much reason to expect, would be immediately sold at 4*l.* 10*s.* or 4*l.* 15*s.* if not 10*l.* per ounce, for exportation, is impolitic and unjust: it would be prostrating our grand national establishment, before the avarice of illicit trade; and exhausting the Bank's resources of gold and silver, in order to fill the thirsty channels of continental circulation.

There is no maximum on the price of money, although by several Acts of the Legislature, there is a prohibition of buying or selling money, at any price: nor are Bank Notes at a discount, while they pay for the same portions of disposable property, as guineas and shillings. These are incontrovertible truths.

The price of bullion advances, when any circumstances increase the demand for the precious metals; but whatever diminishes the demand, by lessening the use or consumption, also reduces the value and price of bullion. The introduction of Bank Notes, as a different medium, diminishes the demand, by lessening the use of bullion, in proportion to the amount in circulation. The introduction of Bank Notes, therefore, reduces the value and price of bullion, in proportion to the amount in circulation.

The high price of bullion cannot, then, be ascribed to Bank Notes, which tend to a contrary effect: had other nations an accredited Paper Currency, with the same confidence, which Britons have, in the stability of their government, and the security of their trade, could national or private establishments issue, what merchants call good paper, in sufficient quantities, for the internal circulation of the different countries in the commercial world, gold and silver would no longer be mistaken for *wealth*; but would universally be held in the same degree of estimation, which, under the less imposing forms of domestic vessels, useful implements, or glittering ornaments, they originally had in Mexico and Peru.

Nations, under particular circumstances, however, sometimes require gold and silver, for the purposes of internal circulation. Want of confidence in their

government, mutual distrust among individuals, and common alarm, in the convulsions of war and revolution, give a new value to the precious metals; and the prices in consequence advance. It is obvious, that bullion must be dearest, where there is least paper currency. In France, and in those countries which bear the yoke, or yield to the influence of France, paper is not only depreciated, but is said, absolutely to have no credit: hence arises the extraordinary demand for bullion, to keep up the circulation of their trade; that demand is also, in no inconsiderable degree, augmented by timid individuals, desirous of hoarding in times of danger and despondency. Such demands for gold and silver really increase their value, and advance their prices, relatively with the prices of all other exchangeable commodities, attracting to the countries, so unhappily circumstanced, the coins of all the neighbouring states, in which less imperious necessity may allow, or the avarice of illicit traders may evade the prohibition of, their exportation.

To supply the wants of France and Holland, our guineas have been (illegally) withdrawn from the circulation of the country.

Much as the price of bullion is made a subject of complaint and unnecessary alarm, it is not so high in London as at Amsterdam; though bought at the highest rate here, it still gives considerable profit to the exporter. If I am not misinformed as to this

fact, it is decisive, on a general view of the subject: *the high price of bullion arises from an extraordinary demand among the nations of the Continent.*

Cooperating with this primary cause, the balance of trade and course of Exchange are next to be considered, their influence on the price of bullion is increased with the difficulties of conveying merchandise to France, or to the states under the control of the French system of exclusion; their effect, under the present circumstances, is to occasion a demand for bullion, as the most convenient article of export to those countries, where the balance of trade is against England, which tends further to enhance its price. This has been noticed in the House of Commons by a distinguished merchant, whose opinion, the result of experience and sound judgment, is controverted by an anonymous writer, in the following passage of a letter, published in the Morning Chronicle of the 7th inst.

“ The rate of Exchange is owing to the high price
“ of gold, and to the great abundance of Paper
“ Currency, and not the high price of Gold to the
“ rate of Exchange. When a person presents a
“ bill, drawn in Paris or Amsterdam, for payment,
“ in London, he can receive only paper. On the
“ contrary, a person about to purchase a bill, drawn
“ in London on Paris, is willing to give a one pound
“ note for 19½ livres, because he knows he shall
“ receive specie for his bill, at the same time, by

“ making payment in gold, at the standard price,
“ 24 livres might be obtained for a pound sterling.”

These remarks are introduced to the public with a recommendation, to give “ the holder of Bank of England, or Country Bank Notes, the power of demanding, at any time, to have them exchanged for specie.”

The arguments in favor of that object, which I have already combated, cannot be supported, by the inferences which this writer draws from the present rates of Exchange: his objections to the Paper Currency of the kingdom rest on the supposition, that the Exchanges between Paris and London, and Amsterdam and London, depend on the nature of the money paid for bills, in England and on the Continent: and the public is led to imagine that merchants, in negotiating Bills of Exchange, calculate the different advantage of receiving gold at Paris, and paper in London: the difference between 19½ livres and 24 livres in the pound sterling, may appear, at first sight, to be the amount of that advantage; but this cannot be admitted, until it be shewn what induced the same merchants, to overlook the same advantages in the year 1808, when they would not give a pound sterling, neither in gold nor paper, for less than 24 livres, to be paid in gold at Paris 24 livres for a pound sterling was then the rate of Exchange; but the same number of livres cannot be had now for a pound sterling.

whether paid in gold or paper, (unless the gold be illegally carried out of the country,) because the course of Exchange between Paris and London has gradually fallen from 24 to $19\frac{1}{2}$ livres, per pound sterling, in consequence of our late considerable importations of corn and other produce from France. Previous to those importations, when England had no disadvantage in the balance of trade with France, the course of Exchange was at the rate of 24 livres per pound sterling, without any consideration, whether the money was to be paid or received in paper or gold on either side: this was the state of the Exchange on the 1st of Jan. 1808, as will appear on reference to Lloyd's List, a mercantile record that may be relied on, and which furnishes other evidence, still more decisive on this part of the enquiry.

The course of Exchange is simply the rate of value, at which a merchant may agree to pay or receive, the money of a foreign country: as in the example of the course between Paris and London, having to pay for merchandize, imported from France, he now gives a pound sterling in London for $19\frac{1}{2}$ livres, to be paid to him, or to his order, in Paris, through the medium of a bill of Exchange: or a merchant at Paris having to pay his debt for goods imported from England, would give $19\frac{1}{2}$ livres for a pound sterling. Sometimes the British merchant may give a pound sterling, to receive 24 livres at Paris, and the Parisian have to pay 24 livres to

receive a pound sterling in London; or at other times, the pound sterling in London may be exchanged for 25, 26, or 27 livres, to be received or paid in Paris.

It may be conceived, that in opening or renewing commercial intercourse, between the merchants of two different countries, *A* in England importing merchandize from France, must pay to *B* at Paris, the amount in other merchandize of equal value, or in money: if *A* have no merchandize to export in return for his importation, *C* may have exported Merchandize to France, without importing any: let it be supposed, that the sum of 24,000 livres is due from *A* to *B*, and that the same sum is due to *C*; the expence and hazard of sending English money to Paris to pay the debt for *A*, and similar expence and hazard, in bringing French money to England for *C*, may be saved to both, if they agree on the rate at which *A* in London shall pay for the 24,000 livres, which *C* has at Paris: the first consideration, in making an arrangement for their mutual accommodation, would be, in such a case, the relative value of that sum, compared with any transferable objects, ounces of gold, or silver, or quarters of wheat, to serve as a Par or common measure of value between the countries: the questions, how much gold, silver, or wheat, can be purchased at Paris with 24,000 livres? The value of the same in London? being mutually understood, if, what is denominated the pound sterling, be allowed to purchase in London

the same quantity of gold, silver, or wheat, as cost 24 livres at Paris, *A* may discharge his debt to *B* by paying *C* 1000*l.* sterling in London, without either of the parties incurring the expence of transporting either gold, silver, or wheat.

For any explanation of so simple a transaction, I feel the necessity of an apology, to those who have before considered the subject: I only solicit attention to the simplicity of the proceeding, as to a *test*, for what remains to be observed.

The trade of the nation is the same as that of the individual. Imports must always be balanced by exports: with the fruits of our land, or the productions of our industry, we must pay for what we desire to attain from other nations; those are the prices of all commodities: in the first steps of commerce, this truth was more obvious, but not more certain than in every stage of its progress.

Are our imports more than our exports, in the general account with a neighbouring people? the account must be equalized at the expence of some part of our disposeable property. We may with a third country be differently circumstanced. England's debt to France and Germany this year may be overbalanced, by what is due from Portugal, Spain, or America; or if that debt can only be discharged in gold and silver, those metals can only be obtained, in return for portions of British merchandize exported.

To shew how the course of exchange is affected,

by the balance of trade, I again beg leave to suppose that *A* imports from France, merchandize valued at 10 times the sum at first proposed, and thus becomes indebted to *B* at Paris in the sum of 240,000 livres, while the exports of *C* continue as before only 24,000 livres: obliged to pay the whole without the complete accommodation described in the first case, *A* must export a sufficient portion of his disposeable property for that purpose. Has the jealousy of the French government prohibited the regular mode of exchanging merchandize for merchandize between the two countries? *A* must nevertheless, before or after he receives his imports from France, transmit to *B* the full value of 240,000 livres: if the severity of the French government admit only one or two species of merchandize, for instance two metals which are not to be found in England, and only to be procured from the mines of other remote countries, *A* must send, to the proprietors of those countries, merchandize of sufficient value to purchase as much of those metals, as will discharge his debt to *B*: the balance of trade thus causes a demand for gold and silver, and advances their prices. But how is the course of exchange affected? In this hypothesis, *A* from the difficulty of settling the balance of his imports from France, is disposed to give a higher price for French money, to be paid in Paris than before, and therefore may fairly offer to *C* 1*l.* sterling in London, for every 23 livres that *C* may have at Paris, or according to the necessity of re-

ducing his debt due to *B*, he may find his advantage in allowing 1*l.* for 22, 21, 20, or 19½ livres: in a more advanced stage of commerce, between neighbouring countries, the merchant importing goods, enquires for Bills of Exchange, which must represent money due to a third person in the place, where he is himself indebted: if a bill is to be bought, he will probably prefer it to the inconvenience of exporting goods, to discharge his debt, except when required to pay for the bill so high a price, or when he can receive so little foreign money, in the amount of the bill proposed to him, as to excite his attention to the prices of exportable merchandize: an unfavorable course of exchange will have such an effect, either on the person who buys, or on the person who draws the bill: and of all other merchandize the most convenient to be exported, and therefore most sought on such occasions, is bullion. It is thus the balance of trade regulates the course of Exchange, which stimulates demand, and advances the price of bullion: and this opinion is confirmed by facts.

On the 1st January 1808 the courses of Exchange were as follows,

Amsterdam 35/7, Hamburg 34/4, Paris 24,
the price of fine gold being then about 4*l.* per ounce, and continuing at the same price, during the whole of that year, although the courses of Exchange fell considerably, and on the 27th December were as follows,

Amsterdam 33/6, Hamburg 31/3, Paris 22/4,

continuing to fall, without any alteration in the price of gold, till the 24th May 1809:

The courses of Exchange, on the 23d May, were, Amsterdam 31/0, Hamburg 29/6, Paris 20/1; the next day gold advanced 2*s.* per ounce, although in the lapse of time, from the 1st January 1808, the courses were fallen,

viz. Amsterdam from 35/7 to 31/0
Hamburg from 34/4 to 29/6
Paris from 24/0 to 20/1

thus alterations of the courses of Exchange, from 10 to 20 per cent., took place, before there was any the least advance on gold.

The courses of Exchange continued still to fall, till the 7th November, when they were as follows,

Amsterdam 30/10, Hamburg 28/6, Paris 19/6:
gold rose on the 6th November 5*s.* per ounce.

After the course of Exchange had fallen considerably, the price of gold began to rise slowly. In examining their action on each other, it is surely most natural to consider the effect as posterior, not prior to its cause.

The importation of bullion might, and necessarily would, have some influence on the balance of our trade, and the courses of Exchange, with Spain and Portugal against England; but passing through England, to France, Holland, and Germany, it inclines the balance from these countries, in our favour, and by lessening the demand for bills, corrects the evils of an unfavorable course of Exchange.

I therefore cannot consider the high price of bullion to be the cause of the present state of the Exchanges, no more than a proof of the depreciation of Bank Notes.

The independence and safety of Great Britain depend on her commerce, the interests of which it behoves every lover of his country zealously to guard; with this view, I have ventured to examine a Question on one of the great instruments of Trade, and cannot discover, why well accredited Paper is not as good a medium of internal circulation, as gold or silver. To the illustrious author of the Enquiry into the Causes of the Wealth of Nations, I refer for elucidation of the proposition, that riches consist not in gold nor silver, but in the fruits of the soil, and the various productions of labour and industry in agriculture, arts, manufactures, fisheries, and mines, in the excellence of machinery, enabling one man to do the work of many, in the accumulation of capital, finally in characteristic superiority of physical and mental energies, in private virtues and public spirit, all which a nation may acquire, with no other medium of circulation, than well accredited Paper; and all which Great Britain has long possessed, in degrees of pre-eminence, far exceeding the wealth of any nation in the universe.

ESTO PERPETUA.

FINIS.

G. Woodfall, Printer,
Paternoster-row, London.

POSTSCRIPT.

MR. ROBERT MUSHET of his Majesty's Mint, in an enquiry into the effects, produced on the national currency and rates of exchange, by the Bank Restriction Bill, observes (page 38) "That the currency of a country is said to be depreciated, when a given quantity of it will no longer exchange for a like quantity of that of another country: for example, if the circulating medium of England was reduced in value 1-10th below its standard and recognized level, while that of Hamburg remained stationary, the pound sterling of England would not exchange for 33 schillings 8 grotes of Hamburg money; but for 1-10th less."

This gentleman (page 8) considers the par of exchange between different countries, to be "determined by a comparison of the intrinsic value of their respective currencies; for instance, we say 33s. 8g. are the par between Hamburg and London, because thirty-three schillings 8 grotes contain a quantity of silver, equal in value to the gold contained in our pound sterling."

He further informs us, (page 88) that "the par of exchange between London and Hamburg has

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“ been fixed at 33 schillings and 8 grotes, in conformity to evidence laid before the Committee of Secrecy in 1797.” That the par of exchange between London and Paris “ since 1802 has been computed at 24 livres to the pound sterling.”

Mr. Mushet has thus fairly brought the question to issue: it is now intelligible: these arguments are as simple, and as fit to be employed in true syllogistic reasoning, as lines and angles in geometrical demonstrations. I admit all his premises, and if from the documents he has furnished, I make it appear, that, including the period when the exchange between London and Hamburg has been most unfavourable, and really without precedent, (the cause of which I will hereafter explain) the *average course*, from the first restriction of the Bank's payment in specie by Order in Council, dated 26th February 1797, up to the last course, quoted in Mr. Mushet's tables at the end of the year 1809, has nevertheless been above the par of 33s. 8g, Mr. Mushet I doubt not will agree, and the public be convinced, “ that the currency of this country has not been depreciated, because an equal quantity of it has actually been exchanged for rather more than an equal quantity of the currency of another country: and the pound sterling

“ of England has in fact been exchanged, not only for the par 33s. 8g. but for 34s. $0\frac{57}{77}$ g. Hamburg currency, which is $4\frac{57}{77}$ grotes per pound sterling, about one per cent. in favour of our present circulating currency, on an average of twelve years and ten months, including the whole period from the date of the Order in Council in February 1797 to the end of the year 1809.”

Whoever, for the sake of certainty, will add together the figures of Mr. Mushet's table page 98, beginning with the first course from Hamburg after the 26th February, 1797, viz. March 3, 34s. 9g. will find at the bottom of the column the amount of

17 courses,	622 2
From Jan. 1800 to Nov. 1804, 30 courses,	994 5
From Jan. 1805 to Nov. 1809, 30 courses,*	1006 2
	77
	2622 9

“ Making the average of $\frac{26229}{77} = 34\ 0\frac{57}{77}$

“ But the par is only 33 8

Grotes, $4\frac{57}{77}$

* I have Mr. Mushet's leave to correct an Error of his Press in this Column.

1808, July 1, pro 53 lege 35

So that the pound sterling has been exchanged for $4\frac{5}{7}$ above the par between London and Hamburg: 33 s. 8. d. English currency has been worth and actually received in payment for 34 $0\frac{5}{7}$ which is equal to 1 l . per 100 l . in the whole course of our transactions with Hamburg since 1797; and it is through Hamburg, that the principal payments are made, between Great Britain and all the Northern States of Europe.

Commercial men well know, that, during the year 1809, our importations of Russian produce far exceeded, in quantity, the usual amount of our trade, and that the supplies of some articles, received from the Baltic during the last year, are considered equal to the demands of the next two or three years; equally notorious is it, that we have imported large quantities of corn from France, and that our exportation of British and Colonial produce has been subject to the hazards of the prevailing system of exclusion from all the Enemies' ports. These circumstances have occasioned the turn of the exchange against Great Britain, at the rate which is stated, during the latter part of the year 1809.

Mr. Locke says (page 26 of the folio edition of 1707) "I think the overbalance of trade is that

"which chiefly raises the exchange in any country." That there has been an overbalance of trade between this country and the North of Europe, is not less certain, than that the course of exchange has during the year 1809 been against us; but during the whole of the period, since the restriction of the Bank from paying their Notes in specie, I say, ever since Bank Notes have been made legal payment, the average course of exchange has been in our favour: there is therefore no depreciation of our currency compared with that of Hamburg, which Mr. Mushet has appealed to, and which I trust will be considered as conclusive.

All who support a contrary opinion, on looking at the high price of Bullion, proceed from an erroneous comparison of Gold in Bullion and Gold in Coin. Gold and Silver Bullion are articles of trade as much as Copper, Tin, or Lead. Our exportation of British manufactures to the Continent of Europe is, in great measure, prevented by the severity and vigilance of the French Douane; but the ingenuity of man, and the spirit of enterprize which characterizes this commercial Nation, are capable of overcoming or of rendering abortive the jealousy, which rages against us; we cannot send our manu-

factures to France; but a new market is open, in the extensive regions of South America, whence, in return for the productions of British industry, we obtain the precious Metals: and the Merchant importing Gold and Silver must be allowed to get the best price for them, as for other commodities, at home or abroad: if he send them to France or Germany, where they are most in demand, they are still the price of British manufactures; and although circuitously, French and German commodities are thus actually paid for in the produce of our annual labour; that is the "Fund, which originally supplies us with all the necessaries and conveniences of life, which we annually consume, and which consist always in the immediate produce of that labour, or in what is purchased with that produce from other Nations."* Labour is a never failing source of wealth—on which we may at all times safely rely.

The course of exchange between London and Paris, since the renewal of the intercourse with France in 1802, to the end of the year 1809, confirms the argument discovered in the course between

* See Wealth of Nations.

London and Hamburg. Although, during the year 1809, it has been, beyond all precedent, against England, from causes which I have explained, yet the average since 1802, including last year; is $24\frac{1}{3}$ being three sous above par in our favour, and our payments have been made in Bank Notes, during the whole period.

The course, however, was permanently against England 25 years from 1760 to 1784 inclusive, excepting only three prices quoted in 1779, one in 1780, and one 1784: the Treaty of Commerce, concluded by Mr. Pitt and Mons. de Vergennes, then began to operate, turned the balance of trade, and produced a favourable course of exchange, till the breaking out of the war in 1793. With the peace of 1802, commercial intercourse was resumed, and has been, under various circumstances, continued to this time; but, notwithstanding the Restriction Bill had been in force five years before, the average course of the exchange during these seven years from 1802 to 1809, has been above par, in favour of England.

Our pound sterling has been actually exchanged for more than its corresponding value, in both Hamburg and French currency, since Bank Notes

have made part of our currency; but during a period of 25 years, before the passing of the Restriction Bill, it had been, with France, exchanged for less: therefore the Depreciation of our Paper Currency is imaginary

J. G.

8th March 1810.

FRANCIS HORNER, ESQ. M.P.
* "The Stability of the Bank of England" says Dr. Adam Smith, "is equal to that of the British Government."

FINIS

I beg leave to hand you a Postscript to my little Pamphlet, and I embrace this opportunity, in compliance with your request, to submit the result of my observations on the subject of the present Currency of the Kingdom.
Unwilling to incur the censure of too much confidence in my own views, I have consulted Mr. Locke, who in his Considerations of the Lowering of Interest, observes,
"I think the overbalance of trade is that which chiefly raises the Exchange in any Country."

G. WOODFALL, Printer, Paternoster-row, London.

LETTER

TO

FRANCIS HORNER, ESQ. M.P.

CHAIRMAN OF THE COMMITTEE OF BULLION, APPOINTED BY THE HONORABLE HOUSE OF COMMONS.

SIR,

March 10th, 1810.

I Beg leave to hand you a Postscript to my little Pamphlet, and I embrace this opportunity, in compliance with your request, to submit the result of my observations on the subject of the present Currency of the Kingdom.

Unwilling to incur the censure of too much confidence in my own views, I have consulted Mr. Locke, who in his Considerations of the Lowering of Interest, observes,

"I think the overbalance of trade is that which chiefly raises the Exchange in any Country."

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And, in his farther Considerations concerning raising the value of Money, adds,

"But where the overbalance on either side demands payment, there Bills of Exchange can do nothing; but Bullion or Money in Specie must be sent."

Having entered on this discussion, with a desire to keep the question distinct from all political considerations, and proposed to examine it on principles of general and practical commercial economy, I think these quotations from the great *master of reason*, exhibit its solution. Had Mr. Locke foreseen the circumstances of the present day, he could not more accurately have explained their causes. I have only to request an impartial attention to the application of his positions.

The overbalance of our trade with the Baltic is, I believe, admitted beyond the necessity of further evidence. Hemp, Tallow, Timber, and Corn, have been imported into Great Britain, not only in more than ordinary proportions, but without the ordinary exportation of British manufactures, or West India produce in return. The amount of our imports would suffice to account for the rate of Exchange, and consequent demand for Bullion; but on this occasion the sinking of one scale is influenced, not only by its own weight, but by the levity of the other. We have, during the year 1800, overcharged the balance on the one side, by extraordinary importations of Russian and French produce, without a

counterpoise in the exportation of our own commodities. The account however must be settled, and the equilibrium restored, by Bullion or Money in Specie.

I cannot but consider the overbalance of our trade with the Continent of Europe last year, to have produced, as the natural effect of its operation, a course of Exchange, *pro tempore*, against England; and, through that medium, to have acted on the price of Bullion. Moreover, the state of commerce in the rest of Europe required the precious metals, as the only representatives of transferable property or of value, thereby enhancing their prices. It is to self again in France and Holland that a clamour is raised for Guineas, of which not one more would circulate in this Country, were the Bank of England now to pay their Notes in Specie, or any portion of them.

I really cannot help noticing the extravagance, not to say insidiousness, of a proposal that the Bank should try the experiment, by issues of a million or a million and half at a time, to be repeated, until the market price of Bullion fall to an equality with its prices at the Mint, that is, until a general revolution take place in the commerce of the Continent. Every million so issued would give the Bullion merchants (who might be the first claimants) one hundred thousand Pounds clear profit, to be immediately and easily realized, by sending the Coin out of the country, as a provision for Bills, which they would

draw at the present course of Exchange, and negotiate or sell to those, who have imported Russian or French produce, not yet paid for.

The drawing of foreign Bills of Exchange, and the exportation of Bullion, I have already had the honor of observing to you, is the trade or business of the same persons, in London, Amsterdam, and the chief seats of commercial operations in the world: they now want Gold and Silver for exportation, to meet the Bills which they may dispose of on the Royal Exchange of London. Let them get these metals through the fair and open channels of trade with South America; but there is no justice in the requisition for the Bank to deliver at the rate of £3. 17s. 10d. per ounce, what might and certainly would (however illegally) be sold at £4. 8s. or £4. 10s. Some of the arguments which have been used in favor of this measure hardly merit a grave reply. Were the price of a coat £3. 17s. 10d. or an ounce of Gold, the profit, on making it, could be no more than it is at present, as the draper and the journeymen would, it may be presumed, retain their wits as well as the tailor, and require from him the same payment for their cloth and wages, as he might get for the coat. Were there really any depreciation of Bank Notes, bread would have two prices; but it would be the duty of the baker, and of any body else, not to lose by Gold or Paper; the principle object would be to take payment in either, at the same rate as he might, after-

wards, make his payments to the miller and farmer in one or the other.

The fair trader is content to pass what he takes at the current rate of the country, and seeks his profit in the quantum of price, not in the fluctuating value of the medium of Exchange. Any other course would tend to make Bullion merchants of the whole community.

How the course of Exchange is affected by the balance of trade, and the state of debts between commercial countries, further appears from the important fact of an advance in the course between London and Hamburg, from 28' 6 to 29' 6*. Had the depression of the course been only the effect of a depreciated currency, what has lately occurred to augment or restore its value (more than 3 per cent.)? I answer, England is now gradually paying off her debts to the Continent, and the course of Exchange is recovering the equilibrium of par.*

I am, Sir,

Your obedient humble servant,

JOHN GRENFELL.

* Since writing the above, it has continued to advance to 31.

and Paris, published by Mr. Mushet, of his Majesty's Mint, the following courses appeared to sanction the depreciation:

(No. 2.)

1809. Nov. Hamb. 28. Paris 19' 6.

But what will the Depreciators say to the following courses with the same places?

1810. Sept. Hamb. 31. Paris 21' 10.

Here is an actual advance of 3s. in the Pound Sterling in the course between England and Germany, and more than 2s. between England and France.

If the former depression could be admitted to prove what the Depreciators wish, this rapid advance of the course of Exchange, about 10 per cent. in favor of England since November last, would, on their own principles, tend to re-establish the credit of Bank Notes. The verification of my positions, in these instances, encourages me to hazard an opinion, that long before the expiration of the two years proposed to be the term of the Restriction Bill, the course of Exchange with Germany and France will be at or above par. The Decree of *Trianon* on the 5th August, and the expected Repeal of the Berlin and Milan Decrees on the 1st of November, will complete this effect, unless political changes should interrupt commercial intercourse with the French empire.

If, as is said to be the intention of the French Government, English commodities and Colonial produce may be admitted into France, to the full amount

LETTER

FRANCIS HORNER, ESQ. M. P.

CHAIRMAN OF THE COMMITTEE OF BULLION, APPOINTED BY THE HONORABLE HOUSE OF COMMONS.

SIR, LONDON, 9th Sept. 1810.

Since the date of the letter which I had the honor of submitting to you on the 10th March last, Mr. Locke's principles are established by recent experience of facts, which I now beg leave to bring before you, as to the course of Exchange with those Countries, that have been cited in proof of the imaginary Depreciation of Bank Notes. Those facts lessen, if they do not absolutely destroy, the argument drawn from the relative value of Foreign Coins, compared with the Currency of Great Britain.

In the very satisfactory Tables of the rate of Exchange between England and Hamburg and Eng-

land and Paris, published by Mr. Mushet, of his Majesty's Mint, the following courses appeared to sanction the depreciation:

1809. Nov. Hamb. 28. Paris 19' 6.

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If, as is said to be the intention of the French Government, English commodities and Colonial produce may be admitted into France, to the full amount

of the corn and wine, or other French commodities, wanted by England, no more Bullion will be exported from this Country; and the law prohibiting the exportation of our Coin will then be literally useless: no one will then think of breaking it, when, without any risk of incurring penalties, greater profit may be made by shipping Sugar, Coffee, and Cotton; the course of Exchange will be at par, and the price of Bullion must inevitably fall, as there will no longer be any demand for the purpose of trading with the Continent. This must be the result of a limited commerce with France, as now proposed. But, if Bonaparte's disposition to encourage trade should open the neighbouring markets on a more liberal system of policy, leaving the balance to be regulated by the wants of the people on both sides, no one, that knows the spirit and enterprize of British merchants, can doubt, but they would supply East and West India produce, and works of our own industry, to a much greater value than the French could pay for in Corn, Wine, or Oil: then the British merchant would have to seek payment in some other way; Bills of Exchange, payable in London, would in that case be more valuable—much above par—but still being inadequate, to the amount of debts due from France—Money must be transmitted, and thus Gold would return to England.

A free trade will expose the fallacy of the arguments by which it has been attempted to prove the

Depreciation of Bank Notes. That the Bank of England can and will pay all their Notes in Specie, when authorized so to do, I am so fully convinced, when I consider their real Capital, their realized and accumulating Profits, that I regret the restriction should be continued another year. I am pained to find so interesting a writer as Sir Philip Francis has fallen into the same error as Mr. Cobbett, in calling the Corporation insolvent, ever since the Bank Notes ceased to be paid in Specie on demand. Every man acquainted with the nature of their Profits as a trading Company, in Loans and Discounts, will admit, that, even if they were unable to pay all their engagements in 1797, (which I deny) the advantage of the restriction for thirteen years must have restored them to pristine validity. There never was a greater absurdity than the alledged insolvency of the Bank: the solid foundation of the establishment, and its certain revenues, in the Interest paid by Government, by merchants and others, have been so often stated by abler pens than mine, that it would be superfluous to say more on the subject: I will only beg leave to draw a broad line of distinction between the Bank of England and the Country Banks.

Of these, the evil in all parts of the country, from Exeter to Newcastle, is so great, that it may be expected, like other enormities, to destroy itself by the reaction of a general refusal to give them any Currency, as is said actually to have begun at Salis-

bury and Caenarton. There have been projects, as I have heard, for the establishment of Provincial Corporations, which, with adequate Capitals under the sanction of Government, might furnish the wanted circulating medium: the propriety, or necessity of which, I will not now discuss, but must request your attention to the consideration, that the Coinage of every country belongs to the Executive Government only. The advantage (if any) of keeping up the circulation of a commercial medium is a royal right, that seems to be infringed by Country Bankers, and overlooked by modern Financiers.

With great deference to the authorities, under which Gold has of late years been made the standard of value, I cannot help thinking, that the subject has been involved in more intricacy, since Silver ceased to be so in England; certain I am that the difficulty of ascertaining the par of the Exchanges between London and Germany, or any other country, is much increased: nay, that instead of being ever ascertained or permanently fixed, it must be continually varying with fluctuations in the relative value of the two metals. I beg leave to offer you the following observations of Mr. Locke on this interesting subject.

Silver, and Silver alone, is the measure of commerce. Two metals, as Gold and Silver, cannot be the measure of commerce both together in any country; because the measure of value must be perpetually the same, invariable, and keeping the same proportion of value

in all its parts: so only one metal does oblige us to itself: so Silver is to Silver, and Gold to Gold. And an ounce of Silver is always of equal value to an ounce of Silver, and an ounce of Gold to an ounce of Gold: and two ounces of one or the other of double the value to an ounce of the same; but Gold and Silver change their value to one another. For supposing them to be in value as 16 to 1 now, perhaps the next month they may be as 15 3-4ths or 15 7-8ths to 1: and one may as well make a measure—a yard, for instance—whose parts lengthen and shrink, as a measure of trade of materials, that have not always a settled invariable value to one another.

One metal therefore alone can be the money of account and contract, and the measure of commerce in any country: the fittest for this use of all other is Silver. The world has agreed on it, and made it their common money, and as the Indians rightly call it, *measure*; all other metals, Gold as well as Lead, are but commodities. Commodities are moveables, valuable by Money, the common measure; Gold, though not the Money of the world, and the measure of commerce, nor fit to be so, yet may, and ought to be coined, to ascertain its weight and fineness; and such Coin may safely have a price, as well as a stamp, set on it by public authority; so the value set be under the market price. For then such pieces coined will be a commodity passable as Silver money, very

“ little varying in their price; as Guineas, which
 “ were coined at the value of 20 Shillings, but passed
 “ usually for between 21 and 22 Shillings, according
 “ to the current rate; but not having so high a
 “ value set on them by law, nobody could be forced
 “ to take them, to their loss, at 2s. 6d. if the price
 “ of Gold should happen at any time to be cheaper.

“ From what has been said, I think it appears,

“ 1. That *Silver* is that which mankind have
 “ agreed on, to take and give in exchange for all
 “ other commodities, as an equivalent.

“ 2. That it is by the quantity of *Silver* they give
 “ or take, or contract for, that they estimate the
 “ value of other things, or satisfy for them; and
 “ thus by its *quantity* *Silver* becomes the *Measure*
 “ of *Commerce*.

“ 3. Hence it necessarily follows, that a greater
 “ quantity of *Silver* has a greater value, a less quan-
 “ tity of *Silver* has a less value, and an equal quan-
 “ tity an equal value.

“ 4. That *Money* differs from uncoined *Silver* only
 “ in this, that the quantity of *Silver* in each piece
 “ of *Money* is ascertained by the stamp it bears,
 “ which is set there to be a public voucher of its
 “ weight and fineness.

“ 5. That *Gold* is treasure as well as *Silver*, be-
 “ cause it decays not in keeping, and never sinks
 “ much in its value.

“ 6. That *Gold* is fit to be coined as well as *Sil-*
 “ ver, to ascertain its *quantity*, to those who have

“ a mind to traffic in it, but not fit to be joined to
 “ *Silver* as a measure of commerce.

“ 7. That *Jewels* too are treasure, because they
 “ keep without decay, and have constantly a great
 “ value in proportion to their bulk.

“ 8. The other metals are not treasure, because
 “ they decay in keeping, and because of their plenty,
 “ which makes their value little in great bulk, and
 “ so unfit for money, commerce, and carriage.

“ 9. That the only way to bring treasure into
 “ England, is the well ordering our trade.

“ 10. That the only way to bring *Silver* and
 “ *Gold* to the Mint, for the increase of our stock
 “ of money and treasure, which will stay here, is an
 “ overbalance of our whole trade.”

On these principles, the restriction of the Bank of
 England from paying their Notes in Specie on de-
 mand in 1797, might be demonstrated to have been
 unnecessary: the extraordinary circumstances of
 the cruel war in which we were unhappily involved,
 furnished an excuse for its adoption; but from the
 principles above cited, if I am justified in consider-
 ing the restriction to have been the child of panic,
 the same principles require me to applaud its repeal,
 not having the least doubt of the Bank's ability to
 pay all their Notes in Specie on demand: I repeat
 that I only regret two years should be allowed be-
 fore the trial.

On the authority of Mr. Locke, I would venture
 to recommend a new *Silver* Coinage of Standard
 Value: nor should there be any delay in introduc-

ing it into the general circulation of all parts of the Kingdom, in lieu of Country Bank Notes, more than the time that might be necessary for the mechanical operations of weighing, refining, and stamping the metal.

Whatever might be the expence of a new Silver Coinage, the country could and would bear it; as the repairing of our highways, however expensively performed, is cheerfully contributed to by every one, who has to make his profits, by removing his disposable property from one district to another. On the same principle, Land Holders, Merchants and Traders, as well as the Public, would no doubt cheerfully pay the proper expence of a new Silver Coinage: and for its preservation on the incontrovertible principles above cited, the penal Statutes against clipping and exportation are sufficient: Gold, as well as Copper, when coined, should also be protected; but their relative value may be allowed to be for ever estimated by the standard of Silver.

That Country Bank Notes are depreciated I do not deny: many commissions of bankruptcy within the last two months might be mentioned, to shew the dangerous consequences of leaving our channels of internal circulation open to the indiscretion of individuals. While I wish it were possible to divert a general stigma from those, whose responsibility merits public confidence, the prevailing system of Country

* The Report of the Bullion Committee declares there is no scarcity of Gold or Silver, and I am informed that the Silver Mines are now, more than ordinarily, productive.

Banks has already proved so injurious, and is in fact such an infringement of the royal rights, to the entire undivided advantage of supplying the media of commerce, that the overthrow of the whole system might, I think, be permitted without injury to those Bankers, who have real property; and their wealth, talents, and industry might be incorporated, under proper regulations, in every county or district. Tradesmen and mechanics would then be content with their shops and manufactories; and the man of real property might vest his capital in the Provincial Banks, with perfect security to himself, and advantage to the public. Nor could the Bank of England complain of injustice, as the amount of the capital so employed, and (if necessary) the number of Shareholders, might be limited by the wisdom of the Legislature.

Any further comparison of the Bank of England with the numerous private establishments, that have been formed in every town, almost in every hamlet, might appear invidious; the latter are already sufficiently exposed, from actual experience of the mischiefs they daily occasion.

The Credit of the Bank of England depends no more on the value of one Metal than another, not on Gold, not on Silver, nor on Copper. Were there any Proof of a depreciation of Bank Notes in the High Price of Bullion, much greater might be found in the High Price of Copper, as a part, and no inconsiderable part, of the National Metallic Currency.

One thousand Tons of Copper were coined into Pence, each weighing one ounce, when Copper was 16*d.* per lb., each Piece containing intrinsically its real circulating or disposeable Value: within three or four years after the issue of this Coinage, (which had provided more than *four pence* for each individual of eight millions of persons,) the Price of Copper advanced from 16*d.* to 24*d.* The heavy Pieces then, as more recently Guineas, vanished; and in the second Coinage of Copper, according to the advance of Price, three half-pence weighed no more than the former penny, or one ounce.

The High Price of Copper in 1805 was not considered a proof of the depreciation of Bank Notes, no more is the High Price of Bullion in 1809.

The Course of Exchange demonstrably proves, that Bank Notes have maintained their Value, compared with the Gold and Silver Coins of the Continent.

I have the honor to be,

Sir,

Your obedient humble Servant,

JOHN GRENFELL.