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AN
EXAMINATION
OF
SIR JOHN SINCLAIR'S OBSERVATIONS
ON THE
REPORT
OF THE
BULLION COMMITTEE,
AND ON THE
GENERAL NATURE OF COIN OR MONEY, AND
THE ADVANTAGES OF PAPER CIRCULATION.

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ADVERTISEMENT.

A CONSIDERABLE time has now elapsed since the publication of Sir John Sinclair's Observations on the Report of the Bullion Committee. Yet no reply of which the writer of the following pages is aware, has heretofore been made to them. Is it because the doctrines there promulgated are so manifestly ill-founded and preposterous that they refute themselves, or that they are so rational and conclusive as to be wholly unanswerable? If the former, on what ground have three editions been called for by the public, and passages of the work been quoted and referred to in print, as an authority which ought to be respected? If the latter, the reader will profit but little from this vain attempt to oppose those doctrines which, however rational and conclusive in his mind, and that of the

multitude, appear to the author before him, not only answerable, but likely, if permitted to remain unanswered, generally credited, and practically observed, to be productive of consequences most pernicious to the community.

EXAMINATION, &c.

THE science of political economy, improved, as it has been, and understood without difficulty as it may be, in a limited degree, by all men of education and reflection, has yet in it something naturally, though more, perhaps, artificially, mysterious. It is not, therefore, with much astonishment that I have heard doctrines advanced upon some of the more complicated branches of this science, which my mind cannot immediately or deliberately assent to; though it can hardly, by mathematical demonstration, prove them to be erroneous. But, on the other hand, it is with much astonishment, indeed, that I find what I had conceived to be amongst the first principles of the science, openly doubted or denied by men practically most conversant with various parts of the subject; yet when I hear their scepticism and disbelief, encouraged and defended by men of studious enquiry and reflection, that astonishment subsides; and, not without sufficient confidence in the result, I feel myself urged to tread over again the steps, by which I had arrived at conclusions so opposite to theirs, being yet, as I imagine, so clear, satisfactory, and indisputable.

I will not accuse the author of the Observations before

me of any overweening self-confidence in venturing to attempt the overthrow of the acknowledged common principles of Locke, of Hume, of Steuart, and of Smith, by upholding a system practically and theoretically at variance with them. For it is good that all reasonable men should form and pronounce their opinions freely and without prejudice; and that the authority of great names alone should not shut the door against the candid enquirer after truth. If we have really been in error, following lights which have gone before us, to lead us only into deep perplexities and difficulties, it is time, indeed; that we recover the right road; and thankful we should be to those who will conduct us thither. Perhaps the leisure hours of Sir John Sinclair could not be more usefully employed than in so charitable, so patriotic an office as the endeavouring to find out some new and better path to riches, honour, and prosperity.---Should he, however, fail in his endeavours, and should no clearer lights, from whatever quarter, arise to direct us through the intricacies of our journey, we must, it is our misery, perhaps, proceed under the guidance of those which we have hitherto pursued, and the practical deviation from which has, I fear, already brought no small difficulty upon us.

Let us then examine this recent publication of Sir John Sinclair, and consider how far it is likely to assist us.---Whether the light which shines forth from it be true, genuine, and perspicuous, or rather dazzling, deceptive, and bewildering. But ere we enter upon the examination of the main question, it may be well to notice some of the preliminary observations, which the

Author has thought proper to introduce, touching the appointment of the Committee for inquiring into the high price of bullion, the character and conduct of its members, and the general tendency of their report.

“Inquiries,” it is observed by Sir John Sinclair, “regarding points of so delicate a nature as the circulation of a country, (on which the prosperity, and indeed, the comfort and happiness of every individual in it so much depend) cannot be too cautiously entered into, nor the subject too maturely considered, before any step is taken, or even remedies are suggested.” [P. 4.] A sentiment which, perhaps, few persons would feel any hesitation to adopt, if it be understood that the maturity of consideration shall not interfere with the fit season for action. But to delay enquiries into matters of great and general importance, till sore and irremediable evil has arisen from the neglect of them, is neither wise nor commendable. Yet, whatever may be the construction which the Author intended should be put upon the above-quoted observation, it will hardly fail to recall to our minds the sudden and alarming step which was resolved upon,---the very violent remedy which was applied in regard to our circulation, now near fourteen years ago,---a step which, at that time, it was understood, would be speedily retraced,---a temporary remedy, as it was then declared to be, which the reviving confidence of the country would not long require to be continued. Where was the caution which reduced the Bank of England well nigh to a state of bankruptcy? Where was the mature consideration which did not provide the means of restoring it to its former elevated state

of punctuality to its engagements, even after the lapse of so many years? Is it now to be treated as a new enquiry incautiously entered into,---as a subject which cannot yet be so maturely considered as it ought to be,---this, which regards the present circulating medium of the country? Is the system which now prevails, an anciently established system, handed down to us by our forefathers, from generation to generation, unimpaired and perfect,---a system, under which the nation has long prospered, and on which "the comfort and happiness of every individual so much depend?" Are doctrines recommendatory of a circulation, consisting in part of the precious metals, and in part of paper money immediately convertible into them, new-fangled doctrines introduced by revolutionary theorists and speculative politicians, whose opinions are dangerous to the state, and ought, therefore, most watchfully to be guarded against? Little, indeed, was it to have been expected, that the inquiries which have been instituted, and the conclusions which have been drawn from them by the Committee, appointed by the House of Commons, should have given rise to insinuations, that the subject has not been "impartially investigated, and that the chimeras of "political speculation" have been "set up against "results of practical experience;" or should have excited any lamentation or regret that the Minister of the Crown "had consented to the motion for the appointment of a Committee, and taken hardly any concern in the nomination of its members, and no part in "its deliberations, until it was too late;---that the Members of the Committee had made up their minds regarding the points under discussion; and that, when the principles, on which the report was to be drawn up, came

"to be settled, the first Lord Commissioner of his Majesty's Treasury found himself in a minority." [P. 5.]

Persuaded, however, as the Author of the Observations seems to be, that the Members of the Committee, though "certainly persons of distinguished abilities, "and competent to the task of conducting the proposed "investigation, could they have totally divested themselves of various prejudices, and had they given themselves time to carry on so extensive an enquiry;" [Ib.] not having so divested themselves, and given themselves such time, have materially failed in the due discharge of their office; we are, in a manner, invited by him to go over the report and evidence again,---or at least to attend to the comments which he has thought proper thus publicly to make upon them.

I will not say there is any want of due decorum in a Member of the House of Commons, thus apparently to deplore the absence of that influence in a Minister of the Crown, which might command a decision in a Committee of the House of Commons, as to the principles upon which the Report of that Committee should be drawn up. I will not insist upon the indelicacy of thus accusing the Members of that Committee of prejudices of which they could not totally divest themselves, or of heedlessly hurrying through an examination of so much importance. Neither will I detain the reader by any observations upon the two first of the "most serious "objections" which the Author has brought forward against the form and substance of the Report, viz. that the Committee have *stated their opinions, and*

suggested remedies, " although authorized merely to " report the result of their enquiries, and their observations thereupon;"* and that they have reported the evidence of one witness whose name is not made public.† It is fit, however, that the third of these objections, a most serious one indeed, should be more particularly attended to, for it is no less a charge against the Committee than that of having reported " contrary to the weight and mass of evidence before them." [p. 7] This is, indeed, a serious charge,---a heavy accusation.--- But let us see how far it is, in point of fact, substantiated.

In the first place then, we are referred, by a note, to a passage of the Report, (p. 4, l. 10 from the bottom) wherein it is stated, that " it will be found by the evidence, " that the high price of gold is ascribed, by most of the " witnesses, entirely to an alleged scarcity of that " article, arising out of an unusual demand for it " upon the Continent of Europe." And this, it seems, is to be construed into an admission, on the part of the Committee, that they have reported contrary to the *testimony* of witnesses. As if *testimony* and *opinion* were terms purely synonymous. But the *testimony* of witnesses, as to facts, may be perfectly true, though their opinions as to the causes of those facts may be perfectly erroneous. It was not for the Committee to be guided by the latter, but to form their own opinion upon the former; or, if not to form their own opinion, at least to pass their own observation upon them.

* P. 6.

† Ibid.

Next, as to the instances of misstated or neglected evidence,---it is observed by Sir John Sinclair, that Mr. Merle (one of the witnesses) " states that a dollar is " worth four shillings and four-pence, at its standard " price; but that, at the time he was examined, it would " fetch four shillings and nine-pence; consequently," says Sir John Sinclair, " the difference was rather more " than five-pence per ounce, or about 9½ per cent. above " *coinage price*." And he adds, " No notice is taken of " so important a fact in the course of the Report." [p. 7, 8.] But was it in truth of any real importance that such a fact should have been noticed in the Report, when Mr. Merle himself, on that very day, Saturday, says, " I have " a very great demand for dollars, and, perhaps, must " give five and seven-pence on Monday, because they " are wanted to go out, and I, therefore, must get them " at the best price I can. Perhaps that may be for a " month, or perhaps only for a week."† Sir John Sinclair, however, goes on to observe, that " it was more " consonant to the prejudices of those, by whom that " Report was framed, to rely on Wettenhall's tables, " where the Committee found new dollars quoted at five " shillings and eight-pence per ounce; and that the " difference is then immediately mounted up to 15 in- " stead of 13l. 6s. 4d. per cent." [p. 8.] And, in a note, he adds " 5s. 8d. per ounce would only be 13l. 6s. 4d. " which is nearly two per cent. less than the Committee " have stated." [Ib.] Now, although it be true, that the Committee have referred to Wettenhall's tables for the price of new dollars throughout the year 1809, noticing

* Minutes of Evidence, p. 40.

that it is there stated, that they fluctuated from 5s. 5d. to 5s. 7d. per ounce; and have also observed, that in the month preceding the date of the Report, dollars had been quoted as high as 5s. 8d. per ounce;* yet it does not follow from thence, that they intended to proclaim the latter as the average price; the natural conclusion to be drawn from their expression is, surely, very different. With regard, however, to accuracy of calculation, I am at a loss to know how 5s. 8d. per ounce would only make the difference between the mint and the current price amount to 13l. 6s. 8d. per cent. according to the text and the note of Sir John Sinclair. For if the standard price of dollars be 4s. 11½d. per ounce, as stated in the Report, I should conceive rather, that the difference would amount to nearly 14l. 5s. 8d. per cent. which is not so far from the 15l. per cent. of the Committee, as it is from the 13l. 6s. 8d. of the Author of the Observations. Yet I am not over confident of my own accuracy in this morsel of arithmetic. But should the reader take the trouble to find me in an error, I shall then console myself with the soothing reflection, that at least one of two greater men has failed in the same task.

In respect to the other instance which Sir John Sinclair has adduced of the carelessness of the committee, viz. in stating Spanish gold to be *better* instead of *worse*, than the standard;—the accusation seems just enough, and they themselves may answer it in the best manner they can. For such statement is directly opposite to the evidence of Mr. Goldsmid, [p. 2, of the evidence], and to the statement in page 36, of the Accounts, where Spanish gold is put at 21½ carats of fine gold, and 2½ of

* Page 3 of Report.

alloy, the standard ounce of gold being (if as stated in page 71 of the Accounts) composed of 22 carats of fine gold and 2 only of alloy.

It is not, however, such errors as these which should induce us to think unfavourably of the labours of the Committee; we have all probably, in our own experience, similar instances of mistake, in our own individual concerns. The first attentive reader of the Evidence, the Accounts, and the Report, was enabled, without difficulty, to correct those which Sir John Sinclair has discovered, and naturally would ascribe them to the dispatch which the Committee thought it expedient to employ, in order that their report might be before the House, previous to the termination of the then sessions, that the several members and the public might thereby have full leisure to consider it, previous to the opening of the next. The subject was of the first importance, and, therefore, not unnecessarily to be delayed.

But Sir John Sinclair seems not to have been moved by this consideration; on the contrary, "it is much to be lamented," says he, "that the drawing up of the Report should have been so hastily executed, before all the members of the Committee could possibly have had leisure thoroughly to consider such momentous questions in all their bearings, or minutely to examine all the evidence that had been adduced upon the occasion." [P. 9.] And there may certainly be much difficulty in ascertaining, with any sort of precision, the different degrees of information, which the several members of the Committee might happen to have possessed upon the subject,

referred to them by the House of Commons, previous to their entering upon the examination of the several witnesses, who were about to give their evidence; and what space of time it therefore might, in all probability, require, to enable them satisfactorily to make up their minds as to the true result of this evidence. Yet it surely is not too much to suppose that, "persons of distinguished abilities, and competent to the task of conducting the proposed investigation," were not altogether ignorant of the subject of that investigation; that it was not wholly new to them,---but, that by paying due attention to the evidence as it arose, they could make themselves so thoroughly masters of it, that any long subsequent discussion upon it would become totally unnecessary; a supposition which the great length of time that elapsed between the commencement of the investigation and its close seems to justify as natural and reasonable. Indeed, the facts established by the evidence, appear at once so strong and conclusive, that, till the publication of Sir John Sinclair was made known to me, I had conceived no doubt could remain in the mind of any man, who had fairly, rationally, and thoroughly attended to the subject,---and even yet I am inclined to think, that the understandings and feelings of the people in general will zealously applaud this work of the Committee, as giving them a clearer insight into a subject so interesting to them, and as leading the Legislature, without delay, to adopt a measure highly necessary to the maintenance of justice, and the honour and prosperity of the state.

It is true, far different sentiments are entertained by the author of the Observations in respect to this measure

suggested by the Committee, deeply impressed, as it seems he is, with a conviction that their suggestions, if "ever carried into effect, would do more mischief to the British empire, than the fleets and armies of Napoleon will ever be able to accomplish." [P. 10.] We shall have occasion hereafter to consider the grounds of this conviction. In the mean time we will proceed to consider the author's observations touching "the situation of the country in regard to its commerce and finance, as admitted by the Committee itself."---An admission which induces him to ask, "is it right that the state of a country thus situated should be at all tampered with?" And boldly to insinuate that the case before the Committee was not such as required any remedies. [P. 11.]

But not content with this admission of the Committee, Sir John Sinclair proceeds to give "some proofs" of the prosperity of the country, by bringing forward a "*comparison of the years 1809 and 1796, in regard to commerce, public credit, and revenue.*" He seems not, however, to be aware that the several amounts which he has there produced for the year 1809, if reckoned in a depreciated currency, afford not the same proof of increased prosperity, as if the value of that currency had remained unaltered;---and that, to ascertain with any tolerable accuracy the real improvement, which has taken place in regard to our commerce and revenue, the relative value of the currency should first be ascertained,---And here we might refer to the opinion (if opinion we need refer to) of one of the witnesses, whose evidence appears amongst the others annexed to the report,---and who stated, that "he conceived the paper currency of this country to be depre-

ciated to the full extent of the 15 to 20 per cent." (before mentioned as the fall of the exchange,) "or rather, the difference in this country between the price of bullion and the rate by which the coin is issued by the mint;--- and again, that "he conceived the balance of trade with the continent of Europe to be considerably in favour of this country, though not to the extent as generally stated in figures, those figures representing in his mind only about 80 per cent. of their nominal value." [Minutes of Evidence, p. 84.] But our own experience sufficiently informs us that the depreciation of the currency, within the above-mentioned periods, has been great indeed. Let it, however, be admitted, for sure it ought to be, that, notwithstanding the depreciation of the currency, the commerce, public credit, and revenue, of the country have, upon a fair and general estimate, and upon fundamental principles, increased, and greatly too, since the period of 1796. Does it prove that this increase has been effected by means of our present system of circulation, and that in any greater degree than it would have been, had the former system never been abandoned, or had we returned to it long ago? Our commerce, public credit, and revenue, have increased, notwithstanding, and in spite of the new system. The skill and industry, the well-directed energy of the people ---the ingenuity of our mechanics---the unrivalled spirit of our manufacturers and merchants---not to say the unfortunate condition of continental Europe in general---the numerous and extensive colonies, of which from time to time we have deprived our enemies, and possessed ourselves, have begotten our prosperity, and

maintained and multiplied it. It is an assumption, therefore, most inadmissible to ascribe that prosperity to the new system of paper currency, unexchangeable for the precious metals, and a perversion of terms most extraordinary to denominate "that a new theory, unsanctioned by recent experience,"* which would limit the quantity of the former within its natural bounds, and at the same time introduce a reasonable proportion of the latter into the circulation.

It can hardly be imagined that Sir John Sinclair is so wholly ignorant of the nature of money, as really to be of opinion, that the one and twenty shillings, which, some years ago, were sufficient to purchase a given quantity of commodities of whatsoever description, were not worth more than the guinea note of the present day, with which we cannot purchase two-third parts of the same quantity of such commodities; or that, if the quantity of the circulating medium, consisting almost entirely as it is of notes of the Bank of England and country banks, were reduced to what it was previous to the restriction of payments in cash, by the former, the price of labour and things in general would not be reduced accordingly. Yet when he asks "how the immense trade and more extended agriculture of this country could be carried on, if the circulation of Bank notes were reduced to eleven millions and a half?"†---we may well be at a loss what to think of the principles upon which his doubts in that respect are founded. But our attention will more than once be directed to this branch of his observations.

* P. 18. † Note, page 13.

We will now follow Sir John Sinclair through his more minute consideration of the report.

“Section I. The rate of Exchange.” [p. 14.]—In the opening of this section we are taught what we are to expect from it, which is nothing less than a bold attempt to shew that, “the rate of exchange having been for some time past unfavourable to this country, it is that circumstance which has occasioned the high price of bullion, and the alleged depreciation of our paper currency.” In the discussion of this subject, therefore, Sir John Sinclair very properly adverts to—“1st. The causes of the rate of exchange being against this country: 2ndly. Whether the present state of our currency has any connexion whatever with that circumstance: and 3rdly. What are the most likely means of restoring the exchange to its former favourable rate;” and, accordingly, he proceeds to consider, first,

The “causes of the unfavourable rate of the exchange;” [p. 15;] and here, after expressing a wish that the Committee “had favoured us with a distinct statement of the various circumstances which, in the opinion of the intelligent individuals who appeared before them, had occasioned that unfavourable rate;” the author himself enters into some detail of those circumstances, independent of the present state of our currency;—which latter circumstance, however, he afterwards endeavours to shew, has no material effect upon the exchange.—

“The causes of the unfavourable rate of exchange,” then, says Sir John Sinclair, “are in a great measure

purely commercial; though some of them are of a mixed, and some of a political nature, and some may be arranged under the head of miscellaneous;” and accordingly he immediately proceeds to enumerate eight purely commercial; two mixed, or those partly commercial, and partly political; he afterwards mentions the causes purely political; and lastly, those of a miscellaneous nature. But concludes, after all, that the rate of exchange must depend not on the balance of trade, but on the balance of payments.

And what comfort is it intended that this nation should derive from the distinction? “We grant that the balance of trade is in your favor, that it has been so for many years; that your exports have annually exceeded your imports, by many millions sterling; but you are to remember, that your expenses for the maintenance of your fleets and your armies abroad, have been great; and that money has been remitted, or bills of exchange have been employed for that purpose. We do not say, the full amount of those expenses has been nearly so great, as that of the excess of your exports, beyond your imports; No, but then you are not to forget that, although your exports have so considerably exceeded your imports, they have not been paid for;—that, notwithstanding the former are in point of fact much more than sufficient to balance the latter, yet the payment for these must be prompt, whilst the payment for those must be postponed, till it suits the convenience of the debtor.—Aye, perhaps, till it pleases the fancy of the French emperor forsooth; --*Usque ad Calendas Græcas.* But, in the mean time you have the satisfaction to know, that an enormous debt has long been due to you, and

“to hope that it may possibly some time or another be actually discharged. And the lower the rate of the exchange, the better will be your chance.”

But is not this grossly trifling with us? Besides, have the gentlemen who were called before the committee—Has Sir John Sinclair himself ventured upon any sort of proof, that, notwithstanding all those various causes, which have been enumerated—the *purely commercial*, the *mixed*, those of a *political nature*, and those which are *miscellaneous*,—should co-operate* (which it can hardly be pretended that, in fact, they do, to such an extent as he seems to suppose, without menancing very alarming consequences to our trade and manufactures) they are capable of lowering the rate of Exchange to the great degree of 15 or 20 per cent. against this country? Whatever the balance of payments against us may be,—from whatever causes, other than the depreciation of our own currency, that unfavourable balance may spring, how can they reduce the exchange so much below the

* According to Sir John Sinclair's specification of these causes, “the *purely commercial* are, 1. A greater amount of import than usual, principally from the Baltic, from France, and from Holland. 2. The trade having been carried on in foreign ships, and at a very heavy expense of freight, sometimes to the amount of fifty per cent. on the original cost of the goods. 3. The manner in which the prices of the goods imported from the Baltic were drawn for; the bills being negotiated immediately on the shipments taking place, without consulting much the interest of the proprietors in this country, who would naturally have wished to defer the

Hamburgh, or any other principal places of trade on the continent:—answered, that “independent of the premium of insurance, it would be from $1\frac{1}{2}$ to 2 per cent. from London to Hamburgh;” and when further asked, what he conceived to be the average risk, he replied, “about 4 per cent.”* And in like manner Mr. Goldsmid, when questioned, what was the expense of sending gold to Holland, and how much it varied, answered, “From 4 to 7 per cent. for all charges covering the risk as well as the cost of transportation.”† Yet, after all, how are we to reconcile the existence of all these various causes of the depression of the Exchange, or the great preponderating influence of any of them, with that state of commercial prosperity, which Sir John Sinclair himself has so formally announced?‡ It is of little moment to set before us, upon paper, the flattering comparative statements of this year and that year, if the result of the whole be unprecedented difficulty and distress—if certain ruin be, as it must, the consequence of the full and continued operation of those causes; even though their operation upon the exchange be not so powerful as is pretended.

It is next discussed by Sir John Sinclair,

“Whether the present state of our currency has any connection whatever with the state of the exchange?” [p. 20.] Under which head we find it laid down, that “no doctrine can possibly be more adverse to the evidence annexed to the report, whether as containing matter of opinion, or matter of fact,” than, “that the unfavourable rate of the exchange is owing to the state of our currency; and that if we were to revert to our old system, and remove all restrictions on the

* Min. Ev. p. 84. † Min. Ev. p. 115. ‡ P. 12.

“payment of cash, at the bank, a favourable state of exchange would be the necessary consequence.”

Now, although it be but too plain, that some of the gentlemen, examined before the committee, did not give it as their opinion, that the low rate of exchange was occasioned by the depreciation of the currency; but, on the contrary, held, that they had no connection with each other; yet it is also as plain, that their opinion upon this subject ought to be but little regarded, if at variance with the direct conclusions to be drawn from their own statements and concessions.

In support of his position, however, Sir John Sinclair, has cited divers passages from the evidence,---and, first, from that of Mr. Lyne, who says, “I do not agree with those who conceive that the depression in our exchanges, and the consequent export of our specie, are occasioned by our circulating medium being confined to Bank Notes; inasmuch as bills on foreign countries are here attainable, precisely at the same rates of exchange, whether they be paid for in Bank Notes or guineas.”* Now, strictly speaking, our circulating medium is not wholly confined to Bank Notes, but consists both of Bank Notes and species; why may not the one, therefore, be depreciated, notwithstanding it continues to bear the same nominal, and, in this country, the same reputed value, by means both of general credit and the law, as the other? Both may be depreciated. The relative quantity of the whole circulating medium may be increased a third or a fourth part, and, therefore, its value diminished in the same ratio, without our being able to procure more corn or meat for a guinea note than for a

* P. 21.

guinea; and, on the other hand, the relative quantity of the circulating medium may be diminished, and consequently its value increased, so that, with either the guinea or the guinea note, we might purchase a third or a fourth part more corn or meat than we can purchase with either of them at present. And hence, that such bills as Mr. Lyne alludes to, are attainable at the same rates, whether they be paid for in Bank Notes or in guineas, is a proof only that Bank Notes are not, in this country, depreciated more than the coin itself. It is no proof at all that the general currency is not depreciated. Besides, the law prohibits the exportation of guineas; he, therefore, that has the guineas wherewith he might purchase a bill upon foreign countries, might as well purchase it with them as with notes, unless he is willing to risk the penalties of the law in attempting to transport the former; which, doubtless, is oftentimes the case. But, let it be asked, if Bank of England Notes were to remain not convertible into species; and species might legally be sent abroad, as well as bullion, by persons who have payments to make there, at the expense of from 4 to 7 per cent. only, would they not send it, rather than purchase bills at the expense of 15 or 20 per cent.; and would not bills upon foreign countries then become attainable at different rates of exchange, according to the nature of the money which should be paid for them? Would the bank note and species, then, continue of the same relative value? Is it not absurd to suppose the latter would not be more sought after, and become much more valuable than the former?

Next follows a passage from the evidence of Mr. Grefulhe, who says, “I conceive the state of paper cur-

“rency of this kingdom, and the state of the exchanges upon foreign parts, are subjects almost unconnected, and that have but little influence on each other. In proof,” he continues, “I beg leave to adduce two facts, from which it appears, that at two several periods, the exchange, for a length of time, improved in favour of this country, whilst the amount of bank notes was gradually increasing.”*

It is from the want of due attention to a few leading principles that so much doubt and difference of opinion have arisen upon this subject.

Let us suppose that two countries, England and Holland for instance, have been for many years in the habit of trading with each other; that English produce is imported into Holland, and Dutch produce, in return, imported into England; that the money-price of commodities is the same in each country; that is to say, that a pound of gold or silver, in a coined state, will purchase the same quantity of wheat in one as the other; if a thousand quarters of wheat, or other commodities of equal value, be imported into England from Holland, and the like quantity of wheat or other commodities, be at the same time imported into Holland from England, it is plain, if this were the whole of the mercantile transactions, no payment of money, of gold or silver, would be necessary on either side,---the trade would balance itself. If, however, there should be an excess of import from Holland into this country, beyond the export from the latter to the former, gold or silver would be sent hence to settle the balance, or bills of exchange would be drawn upon this country by Holland, to the amount of that balance, and be sold for that amount, excepting, per-

* P. 21.

haps, a part of the amount of the expense of freightage and insurance; the amount of the expense of freightage and insurance, would be the utmost limit of the depression of the exchange on the one side, and of its rise on the other.

Let us now suppose the relative quantity of the circulating medium to remain the same in Holland, but in England to be increased one-fourth; so that, what before, cost four hundred pounds, should now cost five hundred; but the trade with Holland continues exactly as first mentioned; the same quantity of wheat, or other commodities of equal value, being mutually exported and imported; still the balance will be equal; no money, gold or silver, need pass from one to the other; the exchange may still be at par. But if there should be an excess of import, beyond the export, as was afterwards supposed, though the exchange would be against us, yet the expense of freightage and insurance being, perhaps, the same as in that case, the course of the Exchange might be the same likewise; unless, indeed, the circulating medium of this country, be not only depreciated by means of its increased quantity, but consist of paper instead of the precious metals. If this be the case, then, in order to obtain the gold and silver requisite for the discharge of the sum due to Holland, as we have supposed, that gold and silver must be purchased like any other commodity; and the price of all commodities having increased one-fourth, one-fourth more must be paid for the gold and silver requisite for the above purpose;---or, which amounts to the same thing, bills of exchange upon Holland would be purchased by this country, at the rate of 25 per cent, and upwards, in addition to the sum owing to the former

by the latter;---or, in other words, to entitle a person to receive any sum in Holland, in the currency of that country, we must here pay after the same rate of 25 per cent. and upwards, in addition to that sum; and, on the other hand, to entitle a person to receive a sum of money here in our currency, 25 per cent. and upwards, less than that sum would be paid in Holland, in the currency of that country, reckoning the *par* according to the relative standards of each. And the same thing might happen, though there were no trade at all, between the two countries, in case it were expedient, on any other account, that payments should be made in them. These effects of the depreciation of our currency could only be counteracted by a favourable balance of payments, and probably but in part even by that.

It is true, that in complicated transactions, means may oftentimes be resorted to, whereby the unfavourable rate of exchange may be diminished. As for instance, if the balance of trade between this country and Hamburgh were favourable to the former, the course of exchange would also naturally be favourable to it; and the debt due from Hamburgh, might therefore be beneficially applied in discharge of that due to Holland; whereby any actual transmittance of the precious metals from hence to Holland might be unnecessary. For the bills of exchange upon Hamburgh would, if transmitted to Holland, tend to liquidate our debt there, and possibly to advantage, if the course of exchange between these countries happened to be in favour of the former.

It is plain, however, from what has been said, that the state of the paper currency of this kingdom, and the

state of exchanges upon foreign parts, are subjects not so unconnected with each other, as Mr. Greffulhe seems to imagine. The proof, therefore, which he would adduce in support of his opinion, viz. that the exchange has occasionally improved in favour of this country, whilst the amount of bank notes was gradually increasing, though it may be a proof, perhaps, that the balance of trade, or of payments, was improving, yet seems to be a proof of nothing more.

And, surely, when we consider how greatly the general balance of trade appears to have been in our favour, it is not too much to suppose that, occasionally at least, the balance of trade, and of payments with the Continent, might also be favourable to us, and that the rate of Exchange might in consequence improve: it is, indeed, rather matter of astonishment that the Exchange should, notwithstanding the depreciation of our currency, have been so long against us; but it would be still more astonishing if, as Mr. Greffulhe believes, the currency were not depreciated. But does this gentleman, or any of the gentlemen whose evidence is reported, state that, since the vast increase of Bank notes, the Exchange has ever risen so high in our favour, as it has fallen low against us. No such thing---neither is one instance brought forward, that I am aware of, by which it can be made to appear, that the rate of Exchange ever did before that time fall so low, except in cases where the currency was acknowledged to be depreciated.

In the next place, we are favoured with an extract from Mr. Harman's evidence, who declares, that he "cannot conceive that the diminution of the paper of the Bank, would, either immediately or remotely, tend, in

“any shape whatever, to an improvement of the Exchange.”* But the observations which have already been made upon what fell from Mr. Greffulhe, may be applied to the correspondent opinion of Mr. Harman.

With respect, indeed, to the opinion of Mr. Goldsmid, who is next quoted by Sir John Sinclair, as saying, “The man, who takes a bill at Hamburgh on London, purchases it for purposes of his own---either to purchase a commodity, or to pay a debt;”†---it would surely require something more than this to shew, that even Mr. Goldsmid himself did not consider the low rate of Exchange to be occasioned by the vast issue of paper money. ---Nay, on the very day, in which he made the above observation, when asked whether it was his opinion that the circulating medium, as entirely confined to paper in this country, produces any effect upon the foreign Exchange, he answered, “I do not profess myself competent to give my opinion upon that.”‡

Lastly then, with regard to the accounts alluded to by Sir John Sinclair, the one delivered by Mr. Whitmore, being an account of “the amount of Bank Notes in circulation, on each Saturday night, in each week, in the year 1797, and of the course of Exchange on the following Tuesday;” (a period, by the bye, when the Exchange appears, from that account, to have been decidedly in our favour;) and the other delivered by Mr. Pearse, being “a comparison of the amount of Bank Notes, and rates of the Hamburg Exchange at certain periods,” that is, from the 27th of February, 1797, to Christmas, 1809; “both proving” according to Sir John Sinclair, “in the most satisfactory manner, as a matter of fact, that there is no connection whatever between the amount of paper currency issued by the Bank of

* P. 22. † Ib. ‡ Min. of Evid. p. 121. § P. 22.

“England, and the rate of Exchange;”§ do they not rather prove, that as the rate of Exchange was oftentimes considerably, and always something in our favour, from January 3, 1797, up to March, 1799, when the utmost amount of the Bank Notes did not exceed thirteen millions and a half; but had since that time, whilst the amount of Bank Notes had been gradually increasing to eighteen millions, been kept almost constantly, and considerably unfavourable, sinking so low as 28s. 6g. and never rising higher than 35s. 10g. and that only sometime between January 1803, and the end of 1807---do they not, I say, under these circumstances, rather prove some most intimate connection to subsist between the amount of Bank Notes, and the rate of Exchange; and that the small, and rare occasional rise which is to be observed within the last-mentioned period, must have proceeded, as I have before observed, from the favourable balance of trade, or of payments, notwithstanding the depreciation of the currency, and the vast advantage which that depreciation afforded to the Continent, in its transactions with this country? But “nothing can be more decisive,” says Sir John Sinclair, “in support of the doctrine, that the amount of Bank Notes has no effect upon the Exchange, than the paper given in by Mr. Pearse.” “From January, 1803, to the end of the year 1807, the Exchange on Hamburg varied from 32s. 10d. to 35s. 6d. becoming more favourable as the amount of Bank Notes increased.”* Yes, the Exchange did become more favourable, though the amount of Bank Notes increased. But mark what followed---the Bank Notes continued to increase,---and the Exchange fell, it fell to 28s. 6g. And this should teach us not to

* P. 23---Note.

judge of general causes from particular, but from general effects. We occasionally experience a warm day in the depth of winter. The quicksilver will sometimes in January rise above the *temperate* of Farenheit. But shall we therefore say, that the sun's absence from the northern hemisphere, is not the cause of our winter, and hence negatively of the fall of quicksilver in the thermometer?

Having now gone through that part of the evidence of Mr. Lyne, Mr. Greffulhe, Mr. Harman, Mr. Goldsmid, Mr. Whitmore, and Mr. Pearse, which Sir John Sinclair has thought proper to notice under this head, let us hear some part of what these gentlemen have said; the notice of which Sir John Sinclair has thought proper to omit.

In the first place then, it is observed by Mr. Lyne, immediately after the first of the sentences before quoted from him, that "*he knows of instances* (and in which he "*has had much practical experience*) *where such effects*." (meaning the depressions of Exchanges, and the consequent export of species,) "*have been produced by a* "*paper money circulation in different parts of the Conti-* "*nent of Europe; but that that has been produced, only as* "*such paper currency became of less value, than what by* "*law it was purported to represent. (P. 53, Min. of Evi-* "*dence.)* What, however, are we to understand from this, but that the depression in the cases alluded to, was produced by means of the paper currency having become less valuable than the species? But with regard to transactions

with foreign countries, the paper currency must necessarily be less valuable than the species, unless the former can be converted into the latter without loss. Notes of the Bank of England on the Continent of Europe are of no further value than the amount of gold or silver, which they can purchase. As by the law of this country, they purport to represent some certain specific quantities of the coin; so if they be of any value at all on the Continent, by the law of commerce, they purport to represent the quantities of gold or silver, which those specific quantities of coin contain, or to which they are generally allowed to be equivalent. What need of further proof then have we, that our paper currency has become of less value, than what by this law it purports to represent,---than that with Bank Notes of a hundred and five pounds, or a hundred guineas, which by law, they purport to represent we cannot purchase a hundred guineas weight of gold, but must give for it 120*l.* and upwards, whether in Bank Notes, or in specie, notwithstanding the value of gold abroad continues nearly the same as it formerly was? For although it must be acknowledged that there is great difference between the paper currency of this country, and that of other countries alluded to by Mr. Lyne; since in the former the credit of those who issue the paper is good, whilst in the latter it is bad; and, in the one, the paper holds equal value with the coin itself; but, in the other, falls below it,---so that in other countries, therefore, the value of the coin is preserved, perhaps increased; whilst in this country it is diminished, together with the paper which bears its denomination. Yet, with respect to the exchange, this distinction is of no importance.

But, to have done with Mr. Lyne, what does Mr. Greffulhe say? Why, he admits, that if a Bill of Exchange for 100*l.* is remitted from Hamburg, the person to whom it is remitted receives a Bank Note; and if his correspondent desires to have gold for that 100*l.* the former must buy it; and that, reckoning the difference to be about 16 per Cent. if in the first instance the foreigner could receive gold, *he would give nearly 16 per cent. more in exchange.* [P. 73, Minutes of Evidence.]

Let us next hear Mr. Harman; he admits, that "an augmentation of the paper currency generally, perhaps, may tend to increase the price of commodities; though he declares, that "he sees very few symptoms of it." [Min. of Evid. p. 220.] In other words, he admits, that such augmentation may tend to depreciate the currency; and we have already shewn in what manner the depreciation of the currency may affect the Exchange. And though Mr. Harman declares, that he sees very few symptoms of the increase of the price of commodities; yet, those who are in the habits of attending to the price of the victuals which they consume, and the clothes which they put upon their backs, and of casting a retrospect upon the price which they paid for similar articles some few years ago; or, if their opportunities should lead them to the like consideration of articles of greater importance, in respect to the pecuniary amount, and they should compare the present with the former price of houses and of land, they will, I doubt not, perceive symptoms enough of its late extraordinary increase. What, indeed, is the article of luxury, of comfort, of necessity, which is not of higher, of much higher

price than it was previous to the restriction of cash payments by the Bank? Few may be the symptoms which Mr. Harman may see; but turn which way they will, those who have fixed incomes and large families to maintain, can see nothing but symptoms, and most alarming and distressing they truly are.

With regard to Mr. Goldsmid, we have already heard his reply to the interrogatory of the Committee, respecting the effect produced on the Exchange by the paper medium of circulation. Mr. Goldsmid, however, when asked, whether it was not one of the effects of a forced paper currency, to raise in the country itself the nominal prices of all commodities, "begged to be excused from answering that question," adding, that "he was not a competent judge---that it was a political question." [Minutes of Evidence, p. 119.]

Let us now try Mr. Whitmore, the governor, and Mr. Pearse, the deputy-governor of the Bank. Do they say any thing more upon the subject? Yes, truly, and a great deal. For the former upon being asked, whether "a rise in the value of any species of money or currency, mean a fall in the prices of commodities;" in reply, among other things observed, that "he would rather wish to leave that to the judgment of the Committee." And, when pressed immediately after as to his opinion whether, "supposing the currency of any country to consist altogether of specie, that specie would be affected in its value by its abundance, or its diminution, the same as copper," &c. he answered, "I have already said I declined answering questions as to opinion; I am very ready to answer any questions as to matters of fact; I have not opinions

“formed upon the points stated in this, and the preceding question sufficiently matured to offer them to the Committee.” [Minutes of Evidence, p. 124.] So, when Mr. Pearse was asked, whether “he conceived that a very considerable reduction of the amount of the circulating medium would not tend, in any degree, to increase its relative value compared with commodities, and that a considerable increase of it would have no tendency whatever to augment the price of commodities, in exchange for such circulating medium?” he observed, it seems, “that it was a subject on which such a variety of opinions are entertained, he did not feel himself competent to give a decided answer.” [Minutes of Evidence, p. 187.] If the opinions of these gentlemen, therefore, upon such general principles, connected so intimately as they are with the subject of Exchange, were not sufficiently formed or matured; what are we reasonably to think of their opinions, that the state of the Exchange is in no wise materially connected with the circumstance of the restriction on payments in cash; and the consequent increase of Bank Notes.

On a preceding day, however, the same gentlemen, Mr. Whitmore and Mr. Pearse, being asked by the Committee, whether, in their opinion, the state of the Exchanges had at any time very materially operated *before the restriction* to increase the demand on the Bank for gold; ---“In my opinion,” said Mr. Whitmore, “it has not; the demand for gold for exportation depended upon the price of the article in foreign countries;”---and “within the course of my experience, in the Bank,” added Mr. Pearse, “the Hamburgh Exchange has never been so much below par *previous to the Restriction Bill*,

as to render it sufficiently an object of advantage to individuals to make any material demand for gold upon the Bank.” [Minutes of Evidence, p. 155.] But, what is indeed very material to the point, on the subsequent day, Mr. Whitmore made the following declaration:---“Provided it was imperative upon us to open, I should think a restriction of the Bank issues would be necessary, &c.” And immediately after Mr. Pearse too declared, that “in the contemplation of the removal of the Restriction Bill, at any definite period; it would become necessary for the Bank to regulate the amount of its issues, with a reference to the course of Exchange with foreign countries, &c.” [Minutes of Evidence, p. 186.] Thus in effect, acknowledging the very strong, if not conclusive, circumstance, that the quantity of paper money in circulation was never so great previous to the restriction, as to occasion so great a depression of the Exchange, as materially to increase the demands on the Bank for gold. Yet since the vast increase of paper money consequent upon that restriction, the depression of the Exchange has become so great, that were the Bank to be opened for payment in cash, there is much reason to apprehend, that the demand upon it for gold would be so considerable, as to render it necessary for the Bank to lessen the issue of its Notes; nay, to regulate the amount of them, with a reference to the course of the Exchange. And we find, Mr. Harman’s, evidence not very different in this respect.

For, upon being asked whether, “supposing the Bank to be paying in Cash, and the Exchange, as well as the price of Bullion, to be as they then were, and conse-

“quently a drain upon the Bank to have taken place, it
 “would be his opinion, that the Bank ought to diminish
 “its paper or not?” Mr. Harman answered, that “he was
 “decidedly of opinion, that it would, and ought to make
 “the Bank very cautious.” And again, being asked whe-
 “ther, “supposing the Parliament to enact that the Bank
 “of England should again pay in gold at a distant period;
 “say one, two, or three years, it would be his opinion, that
 “the Bank ought to resort to the measure of restraining
 “its issues, as a means of preparing itself to meet that
 “event, supposing the Exchanges, and the price of Bul-
 “lion to continue, as they then were;” he replied, that “he
 “conceived they must necessarily, if the exchanges were
 “to continue as they then were, which, however, he
 “deemed barely within possibility.” [Minutes of Evi-
 dence, p. 219 and 220.]

Having paid due attention to what Sir John Sin-
 clair has observed, and what it seems he has not observed,
 of the evidence given by those gentlemen, whom he con-
 siders as ranged upon his side of the question; let us
 now examine what he has observed of the evidence
 which is given by some of those who appear to be ranged
 rather upon the opposite side of it. And, first, as to Sir
 Francis Baring whose evidence Sir John Sinclair thus
 briefly notices, though he acknowledges that “much
 “weight is certainly due to so respectable a cha-
 “racter.” “Sir Francis Baring,” says he, “indeed,
 “states, “that the two great circumstances which affect
 “the Exchange in its present unfavourable state, are
 “the restrictions upon trade with the Continent, and the
 “increased circulation of this country in paper, as pro-
 “ductive of the scarcity of bullion; but he does not

“seem to have considered the various other causes enu-
 “merated in the preceding section.” Yet are we not,
 therefore, naturally to conclude, that either Sir Francis
 Baring did not believe those other causes to have exist-
 ence, or deemed them to be of little or no comparative
 moment or importance? Sir John Sinclair, however,
 makes no further comment upon the evidence of
 Sir Francis Baring, but straightway proceeds to observe,
 that “by another evidence,” (referring to the gentleman
 whose name is not made public,) “the whole deprecia-
 “tion of the Exchange is ascribed *originally* to the mea-
 “sures of the enemy; and its not having recovered itself
 “is attributed to the circumstance of the paper of
 “England not being exchangeable for cash. But this doc-
 “trine,” Sir John Sinclair continues, “is ably refuted by Mr.
 “Lyne, who contends that though gold, being of a more
 “portable nature, would sooner find its way to the Con-
 “tinent, and consequently would produce the *speediest*
 “effect, yet, that merchandize of lawful export would
 “produce a *greater effect* in reducing the difference of
 “Exchange.” [P. 24.] But are not those very measures
 of the enemy which were alluded to, the cause of our not
 sending sufficient merchandize to the Continent? “I
 “will take your gold and silver,” says he, “but none
 “of your merchandize: the balance of trade shall no
 “longer be in your favour.” But though this balance
 were not in our favour, and never should be; yet, if
 our paper were convertible into cash, and any payment
 should be required to be made by this country to the
 Continent, gold and silver might be sent thither for that

purpose, which would at once restore the Exchange to its proper level. Whether the gentleman referred to reasoned after this manner, I know not. But if he did, he will hardly acknowledge that his doctrine has been ably, or indeed in any manner at all, refuted by Mr. Lyne.

There can, indeed, be no doubt, that the rate of Exchange may be raised in favour of a country, by exporting from it the produce of its land and labour, as well as the gold and silver which it may happen to contain. But the more the currency of a country is depreciated, at the higher money price must its exported merchandize be sold, in order to bring a profit to the manufacturer and merchant; but the higher the price of the merchandize, the less will be the demand for it abroad. Whilst, on the other hand, the more the currency of a country is depreciated, the greater, it is likely, will be the quantity of goods imported into it, from abroad, for the sake of the higher price which may be obtained for them.

Much more of the evidence which has been printed, by order of the House of Commons, might have been brought forward to shew, that the low rate of Exchange proceeds principally, if not altogether, from the causes ascribed by the committee; but it is sufficient, perhaps, to have followed Sir John Sinclair in the path which he himself has chosen. And here I cannot but observe, with astonishment, to what different conclusions the minds of different men will sometimes lead them. So long as the Bank of England, and the Country Banks, shall be enabled to sustain their credit--so

long as pound notes shall be exchanged for 20 shillings; be the amount of all the notes in circulation increased to twice, or ten times their present amount, it may be maintained, according to the notions of some of the gentlemen who were called before the committee, that there is no depreciation in our paper currency, though all commodities, whatsoever, be increased double or ten times in their price,---though the exchange fall twice, or ten times below its present rate; yet all this, it may be said, is no proof at all, that the currency is depreciated,---the pound note is exchangeable for twenty shillings, (such as they are) and the hundred pound note for a hundred notes for a pound. But what is meant by a depreciation of the currency, but a diminution in the value of the several pieces, or denominations, of which it is composed, compared with that of other articles, which it is employed to circulate? If the price of wheat, eighteen or twenty years ago, was, upon an average, but 6s. per bushel, and that of almost all other commodities in proportion, and although the demand for, and supply of wheat and other commodities, continue relatively the same, yet the price of the former has in the mean time risen upon an average to 10s. per bushel, and the price of the latter also proportionally;---if, within the same period, the rate of exchange with foreign countries, instead of being 3 or 4 per cent. in our favor, has fallen so low as to be 15 or 20 per cent. against us, though the expense of the actual transmission of the precious metals, including that of the insurance, amounts to no more than from 4 to 7 per cent. and although the balance of trade, appears upon a general view of the official

statements made out as they are, without reference to the Bullion that is exported, or imported, to be very greatly in our favour; there surely is some ground to apprehend from these circumstances, that our currency is become depreciated, and that, whether it consists of the precious metals alone, or partly of the precious metals, and partly of bank paper, or wholly of bank paper. But if we know that since the period above specified, the quantity of bank paper and dollars, issued by the Bank of England, is increased two-fold, and we may have reason to believe, that the quantity of paper issued by other banks, is increased in as great, or a much greater proportion, that there is little or no gold in circulation, and that its market price has risen 15 or 18 per cent. above its mint price, can we hesitate to believe, can we for one moment doubt, that the currency has been depreciated, and that the effects above stated, must have proceeded in great measure, if not altogether, from that cause? That the governor and deputy governor, and directors of the Bank of England, that English merchants of consideration, should not see this most clearly,---that an established writer upon political economy, should have his eyes shut against it, is, indeed, most extraordinary and unaccountable.

We come now to the third head of this section:

“What are the most likely means of restoring the Exchange to its former favourable state.” [P. 25.]
 Wherein Sir John Sinclair, after noticing that “the great corrective of every mischief, arising from an unfavourable state of exchange, in the judgment of the committee, is the repeal of the law, which sus-

“pends the cash payments of the Bank of England,” and wishing, “most sincerely, that the committee had examined the subject more minutely, before they had hazarded such an opinion,” adverts to the declaration which was made by one of the evidence, “that a free circulation and liberty to export the coin, was, in his opinion, the only effectual remedy;” “but he adds,” says Sir John Sinclair, “if that is not deemed practicable, I conceive that many palliatives may be applied.” “Yet the nature of these palliatives,” Sir John Sinclair observes, “the Committee never gave themselves any trouble to ascertain.” It is, however, very plain from the passage here cited, and from other parts of this gentleman’s evidence, what he really thought upon the subject; and if the committee were convinced, that no very essential and important benefit would arise from the application of mere palliatives, whilst the currency is permitted to continue in its present state,---that the repeal of the law referred to, would of itself render them wholly unnecessary---that such repeal alone, as it would necessarily effect the reformation of the currency, would necessarily lead to the most speedy, effectual, and beneficial accomplishment of the end they had in view; why spend their time in searching for mere palliatives,---poor, meagre, half-measure palliatives?

The committee, perhaps, might have found out somewhat more that could be exported to France, and its dependant states, and somewhat less that might be imported from thence, than is at present; but without a strong system of interdiction and combustion, of which the French emperor himself has set us so worthy an

example, is it likely we could insure a greater equality of trade, or the restoration of the Exchange to a par? For whilst the currency of this country is so considerably depreciated, and the balance of the trade, or of payments, (which in the long run, if the currency were not depreciated, might amount to the same thing,) is against us; that depreciation must, most seriously, affect the rate of the exchange; but it was to the root of the evil, not to a few of its branches only, that the committee directed their attention, and recommended that the axe should speedily be laid.

“Section II.---*On the high price of Bullion.*” [P. 27.]

The author, after some preliminary observations, declaratory of his opinion of the great absurdity of making any rise in the price of Bullion the ground of serious alarm, now ventures to submit to the reader's consideration, “some political axioms,” or, as he afterwards denominates them, “general principles regarding Coin or Bullion.” [P. 28.] These we shall hereafter have an opportunity of examining more particularly, if necessary, when we arrive at the appendix. In the section now under review, however, “the precious metals,” it is said, “may be described as a species of merchandize, which, by common consent, answers three important purposes; 1. That of enabling individuals to receive the value of their labour, for an article *universally exchangeable*, 2. That of transferring property in goods, from one individual to another, or from one nation to another, without the trouble of actual barter; and, 3. That of enabling the government of a country to obtain a revenue, and to defray the public expenses.”

But we are soon after informed,* that “it is in early ages of society alone, before the credit of a government is established, and property is secured, that the precious metals exclusively answer these important purposes, and that in ages of civilization and refinement, a *well-regulated paper currency*, with a small proportion of these metals, in a state of coinage, is equally useful, indeed, on many accounts, more advantageous; and that the precious metals ought, in commercial periods of society, to be accounted merely as a species of merchandize; the increase or diminution of which has no decisive influence on the wealth and prosperity of a country, and which, if left to itself, soon finds its own level.” And this, it seems, is presented to the reader, as one of the author's political axioms, regarding Coin and Bullion---as simple and as true, in politics, as that two straight lines cannot inclose a space, or that things which are equal to the same, are equal to one another, is simple and true in mathematics. But surely this political axiom requires some little explanation before we venture to apply it broadly to the solution of political problems. It ought, surely, first to be explained, what is meant by a *well-regulated paper currency*, and what degree of influence on the wealth and prosperity of a country, is that which may be considered as, and termed “decisive.”

If by a well-regulated paper currency is intended that which is always convertible, without loss, into the precious metals, and which, together with the precious metals in circulation, never exceeds in quantity the amount of the precious metals which would be in circulation, if

* P. 29.

there were no such paper currency, we might be disposed to admit the first part of the above position as true; but with regard to the latter part of it, the author himself, in the very next following pages, seems to bring matter of argument directly in opposition to it. He there shows upon his own statement, taken from the appendix to the report of the Committee, that the precious metals are, even in the present age, something more than a species of mere merchandize, when he observes, "that the French, when they were in Portugal, "so drained that country of gold, that none could since "be procured from that quarter;"--"that in order to procure cotton" from the Brazils, "gold and silver were "exported to that country, both because in the Brazils "there were no takers of bills on England, and as the "importer could make his purchases more rapidly, "by sending cash;"--"that there has been an unusual "demand for gold, for the use of the French armies;"--and that, "above all the state of the times, the "failure of confidence, and the apprehension of future "revolutions, have led to the practice of hoarding, and "consequently the withdrawing of gold altogether, and "that to a considerable extent."* Or does all this look as if gold and silver were mere merchandize, like "sugar "or cochineal?" Do they not seem rather to be by one common consent, an article exchangeable for all other articles, at all times, and in all places in the civilized world--an instrument of barter peculiarly fitted for the circulation of all commodities whatsoever, and sought after, and applied almost exclusively for that purpose, and most valuable on that account? Yet, notwithstanding all this, the increase or diminution of the

* P. 30, 31.

precious metals may, perhaps, have no decisive influence on the wealth or prosperity of a country; that is to say, though the precious metals be imported into, if unproductive stock to the same amount in value be exported from a country; or, though on the other hand, a portion of the precious metals be exported from, if unproductive stock to the same amount in value be imported into it, the total capital, the strength, the industry, the enjoyments and happiness of that country, may yet remain the same, and therefore need not of necessity be decidedly influenced by the change. But that the precious metals, should find their just level when left to themselves, in a country where paper is substituted almost entirely in the stead of them, as a circulating medium,--where paper money is made well nigh equivalent to a legal tender, and is, in consequence of its excessive amount, together with the little coin that remains there, greatly depreciated in value,--is a notion somewhat novel and extravagant;--but that it should be received as a political axiom, the meaning of which it is only necessary to understand, in order to assent to, and which, therefore, can require no further demonstration, is somewhat contrary to the rules and practice of sound logic. What! shall we admit that the precious metals have attained their just level in a coined state when they are rendered less valuable than when uncoined? Should the king's image deteriorate the metal? Is it of the nature of an alloy which reduces its intrinsic value? But it is upon such principles as these, if I understand them rightly, that Sir John Sinclair would build his approbation of the present system of circulation in this country, and that he indulges in the notion, that whoever takes

the trouble of considering his observations upon the subject, "will be of opinion, that we might as well "institute an enquiry into the price of diamonds, or "cochineal, or of sugar, as of gold; and that compelling the Bank of England to pay in cash, were it "a practicable measure, could be of no service what- "ever in the present state of Europe." [P. 32.]

We will proceed, however, to "Section III.---On the con- "duct of the Bank of England in regard to its circulation." [P. 32.]

In this section Sir John Sinclair, after having animad- verted upon the language of the Committee, in respect to the Directors of the Bank of England, presents his readers with a short statement of the rules by which the Bank of England is regulated, in regard to the issue of its notes. These are to make advances to government on the security of Exchequer Bills, issued on the credit of taxes, or otherwise, under the authority of Parliament; on the loans of the year; and on what is called *legitimate mercantile paper*, payable within two months; never to advance at less interest than 5 per cent.; and lastly, "to consider not only the solidity of the paper, but also the amount of accommo- dation the individual applying for it already has."---He then immediately adds that, "it is owing to the Com- mittee having kept this last rule entirely out of their view, that they triumphantly exclaim, "though the Directors state the broad principle that there can be no excess of their circulation, *if issued according to the rules of discount*, yet they disclaim the idea of acting up to it in

its whole extent." But why should they not as trium- phantly so exclaim, though this last rule of the Directors had stared them directly in the face? Does it at all contradict the assertion of the Committee? If it do, Sir John Sinclair should have stated how, and in what man- ner it does so. But instead of that, he tells us that the Directors "cannot act up to this broad principle in its whole extent, because they must restrict their advances to individual applicants, and must not risk too much property on the same security."*---Why not? Because it is contrary to the rules of discount. But do not the Committee expressly say, "if issued according to the rules of discount?" This, however, is not all; for, says Sir John Sinclair, "the instant any superfluous issue is made it reverts upon the Bank.---For no individual will ever think of keeping in his possession any paper for which he has no occasion, and for which he must pay an interest of 5 per cent." So, provided the Bank notes be employed, the issue of them cannot be superfluous! But if, by reason of the increase of Bank notes, the price of all things has been increased, at least one- fourth, is it not plain, that any individual will require Bank notes (supposing the circulating medium to consist of them alone) at least one-fourth more in amount, than he would in case no such increase had taken place; and, therefore, although all the notes may, notwithstanding their increase, be as much employed as the smaller quan- tity formerly was, yet that the one-fourth part increase of that quantity may be as superfluous and unnecessary as the one-fifth part of a pint and a quarter of water, in which a hen's egg may be boiled, but no better than if a pint only were used for that purpose?

* P. 34.

"But the best answer to any over-issue on the part of the Bank," we are told, "is this, that if the large notes of the Bank were to be diminished in the proportion of one-half, it would be impossible to conduct the affairs of the metropolis."* It would, indeed, be impossible to conduct them, supposing the present high price of things to continue, and the same payments to become due as at present. But it is not a sudden annihilation of Bank notes that the Committee recommend, but a gradual diminution of advances, which would occasion a gradual diminution of prices; and perhaps it would have been well for the trading part of the Community if those advances had been diminished long ago. What evil can arise to the prudent trader, though he should be able to get but six or seven hundred pounds where he may now get a thousand; if he can purchase the same quantity of goods with the former, under a really well-regulated system of paper currency, as he can with the latter under the system now tolerated?---a system which enables so many rash adventurers to enter upon speculations, which oftentimes prove not only highly injurious, nay, ruinous, to themselves, but also to others, whose prudence and caution ought to render them secure? With regard, indeed, to the scarcity of money, which, by one of the evidence referred to by Sir John Sinclair, is remarked to prevail at a period prior to the payment of the dividends; that is no doubt an evil necessarily attendant upon our system of finance, and which it is idle, or worse, to attempt to remedy, by increasing the circulating medium. The public debt has become so enormous, that a large sum is requisite to discharge the interest upon it. Taxes are raised, they are accumulated in the hands of the collectors before they are applied to that purpose---

the fair and natural effect of our financial system. As well may complaints be made of the scarcity of money, arising from its accumulation in the hands of the tenants of lands and houses previous to the quarter-day, with a view to the payment of their rents. But what would landlords say to the issuing of vast quantities of paper money, as the means of facilitating the payment of those rents? Would they not in future increase their rents in proportion to the additional quantity of paper money that would thus be brought into circulation? Is it not the fact that they do so increase them, in consequence of that which has already been actually brought into circulation? If the public debt is so enormous, if the amount of the dividends, payable in respect of it, occasions so great a temporary scarcity of money in the metropolis, as to prove inconvenient to the mercantile interests of the nation,---if that be an evil of high magnitude, let it be remedied,---but let it not be remedied by working an injustice to the public and private creditor. Let not this description of person feel all the inconvenience and distress, but let them be equally apportioned amongst us all,---neither the mercantile nor any other interest should have any solid and exclusive ground of complaint against a system which the circumstances of the times have induced us to adopt.

"Section IV.---*On the amount of our Paper Circulation, and whether it ought to be diminished.*" [P. 35.]

In the opening of this section, Sir John Sinclair formally announces the paper which has been printed by way of appendix to his observations, and to which he had before referred in a note. He now apprises us of the general doctrines which he there lays down, but which we need not at present stop to examine, and states that the deduc-

tion from the whole is this, viz. "That an increase of labour
 " or industry, a more extended commerce, and an increas-
 " ed revenue, require perpetual additions to the circulating
 " medium of a country." And, "being deeply im-
 " pressed with the incontrovertible solidity of these
 " doctrines, he declares, that he cannot possibly concur
 " in any measures for reducing our circulating medium,
 " and thereby cramping all our exertions, and materially
 " endangering our security." From which we are, no
 doubt, to conclude, that all our exertions must be cramped,
 and our security materially endangered by the reduction
 of our circulating medium. But adds Sir John Sinclair,
 "Whether any regulations are necessary regarding coun-
 " try bankers for the protection of the public *against fraud*,
 " is an important subject different from the question
 " regarding the quantum of circulation." [P. 37.]

Yes, regulations may perhaps be necessary to secure
 the public from such frauds as insolvent country bank-
 ers now commit in issuing notes which, if returned,
 they cannot exchange even for notes of the Bank of
 England. But you who are not guilty of this, fear not.
 Scatter your paper like chaff before the wind; like seed
 it will take root and multiply, and replenish the earth.
 What though you lend nothing but your name! Are not
 the house which you inhabit, the fields which you proudly
 walk over, the stock you are possessed of, the navy and ex-
 chequer bills, the India bonds, and other bonds, the mort-
 gages, policies, long bills, but more numerous short bills,
 and the many other parchment and paper securities, which
 are ranged in sacred order within your closet---all ready to
 answer the demands which may be made upon you, even
 to the very limit of your undertakings? Who, then, shall
 say that you defraud the public? What matters it, though

you profit of your house and lands by living in and letting
 them, and of your stock, bills, bonds, mortgages, and other
 securities, by the interest which is payable on them,---
 though perchance the full amount of your whole capital
 be represented by your promissory notes;---though the
 currency be depreciated by the excess which the issue of
 those notes has occasioned, though a multitude of people
 are sorely aggrieved and suffer many privations in conse-
 quence of your practices.---Nay, though your notes repre-
 sent the very property which is pledged to you, and though
 you receive interest from the persons who have pledged
 it for the loan of those notes,---yet who will say that
 the public, that any individual is defrauded? If the Bank
 of England be free from the imputation, if they are guilty
 of no fraud, they who promise but do not perform,
 well may the country banker be excused. And in regard
 to the Bank of England; "as it is proved no pains
 "are taken to force bank notes into circulation or
 "to retain them in it, no material excess, in the opinions
 "of the most respectable practical authorities, can take
 "place;" [p.38.] and that the gentlemen to whom Sir John
 Sinclair alludes, are most respectable gentlemen there is
 probably no doubt at all; but that there are as respectable,
 whose opinions are different upon this subject; there is,
 probably as little doubt. I will not refer particularly to
 that of the late Sir Francis Baring, *to whose sentiments*
*so much weight is certainly due,** or to that of any other gen-
 tleman who was examined before the committee, but
 rather to the understandings of people in general,
 whether it be in the nature of things, that either a cor-
 poration or any set of individuals associated for the pur-
 pose of lending money at interest, but who are permitted
 to advance their promissory notes as money, and to receive

See p. 32, Sup.

the like interest upon them, but who are not compelled to pay them in cash, should not in such a country as this, where so many are willing to borrow, increase their advances to an excess so as to lessen the value of its circulating medium in general, and that most materially? It is in vain to attempt to argue with those who will persist in a contrary opinion. The question being plainly stated, it may at once be decided without further discussion. But the depreciation of money we shall, perhaps, be told, is no proof of excess; nay we are told, that "no circulation, unless forced, can go beyond what the immediate wants of the public require," and are pressed with this further observation by way of argument; "for if there is any redundancy, it immediately reverts to the bank that issues it." Yet what is really the meaning of all this, but that, provided loans are required and advanced (it matters not to what amount) the circulation not being forced, cannot be redundant, though thrice the quantity of money may be employed to circulate half the quantity of commodities that were circulated before, still there can be no redundancy. Does this argument require serious consideration? Does not any increase of circulating medium which reduces the relative value of that medium render it redundant? Does it not become more than sufficient?

"At length we arrive at Section V. *On the measures recommended by the Committee.*" [P. 38.]

But ere he considers "the plan recommended by the committee, that of repealing the law which suspends the cash payments of the Bank of England, and removing any restriction on such payments, at the period of two years from the present time," Sir John Sinclair deems it prudent to make "some observations on the grounds on which that system is founded,"--and

with such sentiments as we have already seen are entertained by him, we need not be surprized that after noticing the remark of the committee, "that any such general excess of currency as lowers its relative value is attended with disadvantages to the country;" he should turn round and reply, "If it was granted that to a certain extent such was the case, the question is, whether the advantages do not preponderate?"* Neither that he should exclaim, in the following strain of becoming pride, "If the new system which we have adopted, contributes to the public safety, enables us to carry on the most momentous war in which we are now engaged, increases our agriculture, our commerce, and revenue, places us, as admitted by the committee, [Report, p. 68.] in a high state of mercantile and public credit, and makes us, as I trust will continue to be the case, the admiration of the universe; what matters it, then, whether the circulation of gold or paper is the instrument of our prosperity?"†

It is not, indeed, to be supposed, with such a glowing picture before him, and looking to the present system of our circulation, as to the sun, which scatters his benignant rays on all around him, that Sir John Sinclair should be much affected by the apprehensions entertained by the committee, that the excess of currency tends to deteriorate the situation of the country labourer,--apprehensions, which, it seems, according to Sir J. Sinclair, have no foundation whatsoever. On the contrary, he considers that their comfort depends "on their having a regular and constant demand for their labour," and that "that can only be the case where a circulating

* P. 39. † Ib.

"medium abounds."* Yet he does not even attempt to shew that the price of labour has risen in proportion to the abundance of the circulating medium, or that the condition of the labourer is in any way benefitted by it. No, he refers rather to the laws, which, in England, secure to the labourer and his family their *subsistence*, by throwing them upon the parish; and to the practice in Scotland where the servants in husbandry are *chiefly* paid in kind. No very satisfactory argument, however, will this be deemed, as set against the conclusions of the committee. But what will Sir John Sinclair say of the situation of those town, as well as country, labourers, who, from the scanty savings of their scanty wages, may have accumulated something for their support in declining life.--Who may by their industry and frugality, with a meritorious love of independence, have hoped to abstain from calling on the tender-hearted overseers of their parish for subsistence?--Is their situation in no respect deteriorated? but of this hereafter.

Yet Sir John Sinclair seems still unwilling to admit, that our paper currency is depreciated. "As to the idea entertained by the committee," says he, "that our paper currency is depreciated; a number of the most intelligent witnesses brought before it *have proved* the direct reverse." I will not trouble the reader with again going over the evidence, which appertains to this part of the subject; enough of it, I think, has already been brought within his view. For, whatever value Sir John Sinclair may think proper to attach to the *opinions* of the individuals, whom he has noticed as witnesses,

P. 39, 40.

who *have proved* that our paper currency is not depreciated; their evidence, excepting indeed that of Mr. Harman, goes only to shew that in respect to the coin, it still retains its former value in the country, a circumstance of which we, in a manner, have daily experience. We certainly do still exchange a guinea (if we feel inclined or are compelled to part with it) for one and twenty shillings, and a pound note for twenty. But, on the other hand, can it be denied, that coin has both been melted down for the sake of the profit attending its sale in the form of bullion; and, in some instances, been actually bought in its coined state, at a price exceeding its value as mere coin, for the purpose of being melted down for home use or of transportation?

"But we are told," says Sir John Sinclair, as if it could be made a question, "that a reduction of paper circulation would diminish the price of provisions." "Would it not, however," he immediately asks, "in a still greater proportion, disable the great body of the people from having the means of purchasing them? Would not lower prices also have a tendency to discourage the growth of grain, and to damp the exertions of the farmer?"* Thus neglecting, it seems, the contemplation of the very necessary consequence of the case put before him; that, if the price of provisions be diminished, the same means, the same quantity of money, would not be requisite for purchasing them; that the price of provisions would be reduced in proportion to the reduction of the quantity of circulating medium; that, as the same demand for grain would exist as does at present the farmer, though under the necessity of selling it at a less nominal price, would sell it at an equal real price. He

* P. 41.
E 2

could not fail to perceive the increased value of the money which would be paid to him, and that the greater the produce of his land the greater must be his gains. How then would the growth of grain be discouraged, or the exertions of the farmer be in any manner damped?

Sir John Sinclair, however, proceeds:--- "the wonder," says he, "is not that the provisions are high, but that with such a war against such an enemy, with armies in every quarter of the globe, and fleets commanding every ocean in it, we should be able to carry on our agriculture, manufactures, and commerce, in the manner and to the extent we are doing."* And, as we have before seen, our ability to do all this he ascribes to the abundance of our circulating medium. "Nothing else," he tells us, "gives us ability to go on but the abundance of our circulating medium, which operates like blood in the human frame, nourishing every part of the system, and enabling it to perform its functions."†

Little, little indeed, was it to have been expected that out of the bed of sickness, in which the good lady of Threadneedle Street long since lay prostrate,---at that alarming period when the legislature, it was feared, could scarce provide a remedy to keep her just live, should come forth a progeny, whose multiplied myriads would prove the very safeguard of our country,---to which we should owe our life; our glory, and our prosperity. If the expulsion of the precious metals, and the substitution of paper money in their stead, have really, in Sir John Sinclair's opinion, such effects as he here proclaims, it would have been well if he had explained in what manner, by what process, those effects are wrought---it is not the common faculty of mankind which can discern it. But if we are not convinced, let us not be lulled

* P. 42. † Ibid.

into a belief that it is to our abundant paper currency we are indebted for the victualling and procuring ammunition for our fleets and armies, and for their glorious success against our enemies, for the cultivation of our fields, the working up of our manufactures, and carrying on our commerce, rather than to the fertility of our soil, the excellence of our machinery, and the skill and industry, the determined enterprize and courage, of the people. A notion how monstrous, and, at the same time, if generally adopted, how mischievous! Whatsoever other goodly effects may be ascribed to our present paper system, let these, at least, be ascribed to better and to nobler causes. The crane which lifts the goods from the warehouse, the shuttle which is cast by the weaver, nay, the very dung cart, which is driven across the field by the husbandman, are of far more intrinsic value than the whole pile of promissory notes, of which our paper currency consists; these are not the instrument, passive or active, that produces what is valuable. If they were annihilated to the very millionth part of their present amount, the same quantity of grain, and of meat, of clothing, and of every article of necessity, utility, and luxury, excepting perhaps that which is formed of the precious metals, might be produced, as is at present. How unaccountable is it that beings who are endowed with reason should not understand this.

We come now to the more immediate discussion of the measures recommended by the Committee,---but as if it were intended to stop us in the very threshold, and prevent all further question on the subject, the following branch of it is first to be decided: viz.

“Is it practicable to open the Bank in two years?”
 [P. 42.] And by way of establishing the negative, it is demanded, “since it was found necessary to prevent the payment of cash at the Bank of England, when the exchange was in our favour, and when the notes in circulation, including Bank post bills, amounted to the sum of only 8,640,250*l.* (which was the case on the 27th February, 1797,) how is it possible to remove the restriction when the amount of the Bank circulation is now stated by the Committee at 24,249,980*l.* making a difference of 12,609,730*l.*, besides an addition of at least 10,000,000*l.* by the paper of country Banks, and when the exchange is against us?” But if we can with any patience bear with such an argument as this, let us ask, why, in the name of common honesty, if the Bank of England could not pay in cash, when its issues amounted not to nine millions,---it has dared to increase its issues till they have amounted to more than one and twenty? It is, indeed, a sad and woful consideration that the Bank should have reduced itself to such a state. But let us not, therefore, neglect or be dismayed by it. Though the outstanding demand against the Bank of England be so much increased, though the price of gold and silver, the medium of payment, be so greatly enhanced, yet let us not, I say, despair of its ability to accomplish this so arduous an undertaking; not, indeed, by the means proposed by Sir John Sinclair, by exporting goods to the amount of twenty millions, and getting bullion to the same amount in return, for I fear means such as those would, most unquestionably, fail.---But by discontinuing the excessive issues which have heretofore of late been made. --By reducing the amount of

discounts, nay, of advances to the government, if that, indeed, should be necessary, which it perhaps would not.---So, that at the end of two years, a competent portion of the notes, which are now in circulation, and of those which may be issued previously to that period, being paid into the Bank by the persons to whom it has made, or may, in the mean time, make advances; such a proportion only of notes may remain in circulation as would, together with the species then also in circulation in the country, equal the quantity of species which would naturally be in circulation, in case there were no paper currency at all. As the circulating medium would be diminished, in quantity so would the price of silver and gold be diminished, in like manner as that of every other commodity. And thus would the Bank, when called upon, be enabled to procure them at a rate but little if at all exceeding the mint price. In fact, it should seem, no danger could arise to the bank, unless the amount of its issues should exceed the amount of its credits, which Sir John Sinclair would hardly contend to be the case. It is true, the profits of the Bank would, by these means, be considerably reduced. But its profits have already been sufficiently great. It is time they should no longer be enjoyed to the prejudice and detriment of others. Nay, indeed, if it should most unaccountably so happen (which, till it does, ought not, perhaps, to be supposed) that the market price of bullion should not fall exactly to a level with the mint price, notwithstanding the great diminution of the quantity of our present circulating medium;---I know not upon what ground of justice the Bank of England could complain, though it should

ultimately be compelled to refund to the holder of its notes a part of those enormous gains, of which it has made no secret, and of which the following fact may enable us to judge. On the 27th February, 1797, the price of Bank stock was about 133 per cent. the 3l. per cent. Consol. Ann. being about 51 per cent. But, on the 2d November, 1809, the price of Bank stock was about 288 per cent. the 3l. per cent. Consol. Ann. being about 69½. So much, of late, had the profits of the former been increased, by means of the circulation of its notes.

But the period, which by the Committee is recommended for opening the Bank, Sir John Sinclair seems to think ought not to be so limited; "the Committee itself," says he, "admit, that in the present state of our circulation it would be hazardous to compel the Bank to pay cash in six months, and acknowledge that it would be found wholly impracticable. They, therefore, recommend that, the space of two years should elapse before the restriction is removed."* But it is asked by Sir John Sinclair, "what reason have we to expect that the measure would be more practicable two years hence, than at present?" And by the mode which Sir John Sinclair would adopt, perhaps it never would be practicable; but by that which has been stated above, and which might, not unnaturally, have occurred to Sir John Sinclair on the perusal of the report, and the evidence upon which it is founded, the space of two years can hardly be considered as too confined. It is ample for the calling in of securities and for the forming of all the necessary arrangements, which would attend a recurrence to the old system. To allow of any needless long delay, would be productive of nothing else but mischief.

* P. 44.

With respect then to the next branch of this section,---
 "Would it be of any use to open the Bank for payment
 "in cash?" [p. 45.]

"But were the measure practicable," Sir John Sinclair begins,--- "I do not see any possible advantage that could be derived from it. The value of gold instead of falling, must rise in consequence of the greater demand for it; the exchange would only be affected by it, in so far as the Bullion that was exported could go, and not a step farther." This, however, it is to be observed, is all upon the supposition, that the Bank of England, instead of calling in its securities, and narrowing its issues, would continue to keep afloat the same quantity of paper as at present, which, indeed, might render it necessary for the Bank to purchase bullion at the present high price, in order to satisfy the demands which would perpetually be made upon it. But that, as was attempted to be shewn, would not be, if its securities were called in, and its issues sufficiently narrowed. On the contrary, the quantity of the whole circulating medium being by these means reduced to its natural level, the price of gold, together with that of all other articles, would be reduced accordingly. And the exchange, therefore, would naturally rise till it arrived at par; or at least would not continue below what the expense of transmitting the precious metals would warrant, how much soever the balance of trade and of payments with certain countries might happen then to be against us. The gold imported directly or indirectly from South America, or from the countries with which we carry on a favourable trade, would probably be ample for the

settlement of our balances on the continent of Europe, so that it might at any time be purchased at the mint price, and transmitted to the continent, if requisite, at the expense only of the freightage and insurance against risk. And it may therefore, further be remarked, that in such a case it would be unnecessary to have recourse to the expedient of exporting our coin or the basis into which it may be melted; with a view to which Sir John Sinclair supposes an argument has been drawn, in favour of the measure proposed by the committee, and thence takes occasion to observe, "that there is a great fallacy in the argument, that opening the bank, would improve the exchange, by the exportation of Bullion," because, forsooth, "by the existing laws, no gold can be exported, but in the shape of foreign coinage or of bullion, not melted into bars from the coin of this country."* To which, indeed, it might have been sufficient to have replied, that whatever the law may be, it is plain that guineas are exported, and that to a very considerable amount; else, whence is it that they have become so great a scarcity in our shops or our markets, as seldom to be seen? They cannot all be hoarded. From what has been said, however, it does not appear necessary, that much, if any gold coin should be sent from this country, for the purpose of improving the exchange. It would be improved, and necessarily, by that considerable reduction of our circulating medium, which would be the necessary consequence of the repeal of the law restricting cash payments at the Bank at the period recommended by the Committee. The Bank taking such precautions as common discretion may suggest.

* P. 45.

"But compelling the bank to give gold and silver in exchange for notes," says Sir John Sinclair, "would induce the nation in general to believe, that there must be some considerable advantage in possessing coin instead of paper." Yet is it not, surely, much more reasonable to think, that as soon as the nation shall perceive that the paper is at all times without difficulty exchangeable for coin, it will, on the contrary, more generally believe the one to be of equal value with the other? nay, is it not a thing almost unaccountable, even when every circumstance is considered, that the Bank of England should have been able, so well to support the credit of its notes, that they should still be, in general acceptance, of equal value with the coin itself? How long they may continue so, if the measures suggested by the committee, should be spurned at or resisted, we will not here stop to enquire.

At length, we arrive at the third branch of this section,---"*Whether it would not be, instead of an advantage, a material detriment to the public, to open the Bank?*" [P. 47.]

"And here again," Sir John Sinclair refers to that passage in the evidence of Mr. Whitmore, which I have before had occasion partly to notice, viz. that "provided it were imperative on the bank to open, he should think a restriction of the bank issues, would be necessary, notwithstanding the fatal consequences that might arise from it, to the commerce and revenue of the country," upon which Sir John Sinclair immediately observes, that "with this declaration from the greatest practical authority, staring them in the face, the committee do not scruple to recommend a mea-

“sure, that *would* be attended with fatal consequences to the commerce and revenue of the country.” Thus converting the uncertain, cautious, *might*, into the positive, the decisive *would*. And by a bold reiteration of the language, formerly employed, he asserts, “there is nothing that speculative politicians, who entertain a peculiar prejudice in favour of a particular doctrine, will not approve of, if it has the effect of establishing the system they wish to recommend. All the immediate mischief is overlooked from the expectation of future advantages which may never be realized.” Thus apparently exemplifying the truth of the assertion. For what is there less worthy of approbation, than some of those doctrines which we are examining? the vast mischief which has already arisen from the depreciation of our currency, is overlooked from the expectation it seems, of I know not what advantages, but such as I suspect, ought, in justice, never to be realized.

Without stopping, however, to consider this mischief, Sir John Sinclair chooses rather to express astonishment at the coolness, as he is pleased to term it, with which one of the witnesses examined by the committee, “talks of individuals being put to an inconvenience, by the want of the circulating medium; in other words, as (according to Sir John Sinclair’s construction) of money to carry on their business,” and hence an opportunity is seized of pathetically describing the situation of the merchant, who is unable to pay the demands, which are made upon him.

I do not, indeed, profess myself to be much conver-

sant with the modes in which the business of our merchants is usually conducted. It may be true, and I believe it is so, that there are many who have occasionally some need of temporary advances, with the view of making purchases of merchandize, previous to the sale of such of their goods, as may be in their warehouses, or upon the seas. It may be their interest either to postpone the sale of those goods, with the hope of obtaining a better price for them hereafter, or to hasten the purchase of others, from the apprehension that the price of these may be enhanced. It is therefore easy to understand in what manner the merchant and the country at large, may be benefitted or injured by the facility of obtaining money for those purposes, and what is the nature of the convenience, referred to by the above-mentioned witness. Yet it may at the same time be questioned, whether by the gradual and judicious reduction of the notes of the Bank of England, by the iminution of their discounts, which would naturally tend to the reduction of the price of all merchandize whatever, any serious inconvenience at all would be felt by those individuals, to whom advances are now made, upon what are called “fair, mercantile transactions,” supposing them to be such as I have just adverted to. But it seems on the other hand, somewhat difficult to understand, how such diminution of discounts by the Bank of England, should have the effect of rendering merchants, those thousands of respectable individuals, to whom Sir John Sinclair has alluded, unable, as he supposes, to pay the demands upon them, and of thus reducing their wives and their families, and a number of their dearest connexions, to beggary

and ruin.* There must be some other cause besides the diminution of discounts to work such an effect as this. The Trader may be unfortunate,---he may bring his goods to a bad market,---he may be undersold and lose a part of his accustomed profit,---nay, he may lose his whole cargo, by wreck or by capture at sea. But what ought the bank to have to do with all this, and what in fact has it? It cannot be our wish, that foreign goods should be sold here at a price the highest possible. It is no great essential service to the public, to support our merchants in their enormous gains, when drawn from the public purse. And if a trader lose his cargo, it is not the Bank of England that will discount his bills upon such a security, as the wreck or the chance of a timely recapture may afford. Why then imagine such sad effects would be the consequence of the diminution of bank discounts;---such dire distress to thousands of respectable individuals?---Is it with promissory notes that they are all actually fed and clothed? Or is every one, who seeks occasion to borrow, at a time when, if prudent and intent upon moderate gains only, he possesses ample means of conducting his business with safety and regularity, though he borrow not a shilling, to become bankrupt, because he should find but few who have money to lend him? That such distresses as are likely to be occasioned by the diminution of bank discounts, should be regarded as nothing more than inconveniences, and that such inconveniences should be talked of with coolness, is natural enough; but that the ruin of thousands of respectable individuals should be the consequence of that diminution, seems hardly to be credited. What

* P. 49.

prudent merchant will suffer from it? What injury will it do the public at large? Perchance, indeed, it may put a check to monopolies and other adventurous speculations, and prevent the ruin of many families.

But the inconveniences to arise from the restriction of the bank issues, would not, in Sir John Sinclair's opinion, be confined to commercial men. "The landed and farming interests," he says, "would suffer, perhaps, in a still greater degree. They are at present," he adds, "enabled to go on, notwithstanding the increased expense of cultivation, and the pressure of heavy taxes, in consequence of the additional prices, which their commodities fetch, and the facility with which they obtain payments, owing to the abundance of the circulating medium." So it seems that even Sir John Sinclair himself, is pretty well aware, that the currency has suffered some depreciation, by reason of its abundance. Yet observe, what further he says upon the subject. "But if the taxes remain as they are, and if, in consequence of the diminution of the circulating medium, their commodities should become unsaleable, except at low prices, and with payments either distant or uncertain, the agricultural interest would be undone;" adding that "to this important subject, I earnestly request their particular attention, before it is too late." "Let them recollect that they are fully as much interested as any other class of the community, in keeping up an abundant, rather than a diminished medium of circulation." [P. 49, 50.] Now, although it be

true, that if the circulating medium were considerably reduced in quantity, the landed and farming interests would be unable to maintain the present high price of grain and other produce of their land; yet let it be remembered, that the whole produce of their land would not thereby be lessened; that the poor's-rates, the price of labour, of horses, and implements of husbandry, and of all manufactured goods, and all articles of consumption, would be proportionally diminished. With regard, indeed, to the taxes, supposing them to continue as they are, as the nominal income of those classes would be reduced, those duties which do not fall within the description of *ad valorem* duties, might, in effect, press somewhat more heavily upon the owners and cultivators of land than they do at present; yet, in respect to the former, not comprising in themselves the latter character, it is probable that the advantage they would derive from an increase in the value of money, and, consequently, of their stipulated rents, would far exceed what they now enjoy in consequence of any partial evasion of taxes, by reason of the depreciation of money. What heavy loss has been sustained by landlords of every description since the period of the restriction on cash payments at the Bank, in consequence of that depreciation, may easily be conceived from the prodigious rise which has taken place in the rent of land and of houses throughout all parts of the kingdom. The total amount of the several differences between the amount of rent actually paid, and the value of the land or houses computed, from time to time, according to the amount of rent which, for the time being, could have been obtained for them; is the amount of the loss which

each landlord has sustained; in the single article of rent.

But is it become a mere question of interest between different classes of the people, who shall contribute least to the service of the state? Would the landed and farming interests put conscience aside, and strive to throw the chief burthen of maintaining our government and our laws, the independence and glory of the nation, upon those who have fixed annuities, or capital, on mortgage, or in the funds? Would they wish favour to themselves and iniquity to others? Or have they eyes of compassion for the rich self-distressing merchant; but will not weep for the poor worn-down, helpless, mechanic, or common labourer, who, by the skill of his hand, or the sweat of his brow, had earned some small provision for his declining years? Will they turn obdurate from the widow and the orphan, well nigh bereft of their scanty pittance? Will they exult in the niggardly allowance which is doled out to those whose blood has been shed, and whose limbs have been sacrificed in the stubborn defence of their country? Will they indulge in no liberal feeling for those men of learning and mental skill whose days, and much of whose nights, have been devoted to most anxious pursuits, and whose long-delayed success in their avocations, has at length procured them but slender means of maintaining their families in decent independence? Will they see, without compunction, useful members of society, from time to time, despoiled of the property they right fully possessed, and console themselves with the thought, that it is they themselves who wrongfully participate in the spoil? Why, in common justice, is the property

of the stock-holder,* the mortgagee, or the annuitant, perpetually to be deteriorated by this continued excess of paper currency? On what principle of right, or of policy, are the owner and cultivator of land to stand exempt from the charge of contributing equally, not nominally, but really and effectually, for the service of the state? In vain will they endeavour to maintain the credit of an excessive paper currency. In vain will the legislature, looking partially to the interest of the landowner and the farmer, by its severe compulsory edicts, declare the Bank-note a legal tender to all intents and purposes. Like the paper of Revolutionary France, it will fall till it become merely nothing-worth. The total destruction of public credit will ensue, and men generally will regard less what has hitherto been deemed right, than what they will feel absolutely necessary. The landed and the farming interests will not then, perhaps, stand secure from all assault. But let us, for a while, turn from a spectacle so disgusting,---let us not yet imagine evils, for the prevention of which, I trust, the legislature will speedily provide most effectual remedies,---such as the common honesty, the common prudence, if not the disinterested patriotism of the country at large, will, upon mature deliberation, unanimously approve. For I will not think so meanly of the proprietors of land as to suppose them capable of intentionally shrinking from the burthen which we all, according to our respective abilities, should be forward to sustain.

From the splendid view, indeed, which the author before us has permitted his imagination to take of the

* It is unnecessary, perhaps, to say, that I exclude from this description the proprietor of Bank Stock.

subject of our abundant paper currency, he has brought his mind to contemplate, and, it seems, would alarm us with the apprehension of the many mischievous effects, which a diminished medium of circulation might have on the public revenue and credit of the country. "If," says he, "our circulating medium were reduced one-half, (which must be the case if the bank were opened) the revenue would fall in proportion." And, he adds, "It would then be necessary either to diminish the interests of the public funds to one-half, or to dismiss one-half of our fleets and armies." Now, granting for the sake of argument, that if the banks were opened for cash payments, the circulating medium should, as Sir John Sinclair asserts, be reduced one-half, a circumstance, by the bye, which would sufficiently prove the propriety of opening the Bank, how is it that the revenue must also be reduced one-half? Part of the revenue which arises from *ad valorem* duties, no doubt might be thus reduced; but not so the revenue which arises otherwise; nay, that which arises from the duty on property, which is an *ad valorem* duty, would not be reduced in this proportion; since a considerable part of that property consists of stock in the public funds, the proprietors of which would, upon the whole, contribute as much as, nay more than, they do at present to the revenue of the state.

From the method, which of late years has wisely been adopted, of raising a large portion of the necessary supplies within the year, or of providing for the speedy repayment of the sums which are borrowed, by means of the heavy duty upon property, the additional

permanent charge which has been created, by way of interest upon the public debt, since the depreciation of our currency, in consequence of the suspension of cash payments by the Bank, is much less than it would have been, had the former method been exclusively resorted to. The revenue, therefore, originally made applicable to the discharge of the interest upon the public debt, might still be nearly sufficient for that purpose, though the circulating medium were reduced to its just level, and that the rather, by reason of the great improvement which appears to have taken place in the trade and commerce of the country. But if any should yet entertain apprehensions that the revenue would prove insufficient, it is to be remembered, that the funds now appropriated for the purpose of reducing the public debt, might be made subservient, in the first instance, to the purpose of making good the deficiency; an expedient, however, which ought not to be adopted without mature deliberation.

But it is further to be observed, that if the circulating medium were to be reduced one-half, or, in other words, if the price of commodities, exclusive of the duties that might be payable on them, were to be reduced in that ratio, the necessary expense of maintaining our fleets and armies, nay, the necessary salaries to the several officers of government, might be proportionally diminished; and, consequently, a much smaller revenue than is at present requisite for those purposes would then be sufficient, without any way diminishing in effect, the energy, or splendour of the state.

The notion, however, that the circulating medium

would be reduced one-half if the Bank were opened at the end of two years, as recommended by the Committee, may be thought somewhat extravagant, when it is considered what was its probable amount long previous to the restriction of payments in cash, and composed, as in a great measure it then was, of species, as well as notes. Be that, however, as it may, in no case does it appear that the dilemma, which Sir John Sinclair has been pleased to put before us, would in reality exist. And, after all, should it be proved that the resources of the country would be inadequate to the maintenance of the power and authority of the state, unless the heavy load of debt, which at present incumbers it, should, in part, be cancelled.---The sacrifice, I repeat it, ought to be ordained upon just principles, not iniquitously confined to the creditors of the public, and others of fixed incomes, or capitals, in money.

But it is not with the feigned dilemma alone which Sir John Sinclair has brandished, that he would alarm us; he would terrify us also with the notion, that if the restrictions were removed the Bank could never be enabled to advance any money on the loan of the year. But if, as Sir John Sinclair supposes, the circulating medium should, in consequence of the removal of the restriction, be reduced one-half, and the price of the commodities should fall proportionally, the loans which might be required would not exceed in amount the half of what are required under the circumstance of an excessive currency like the present, and yet be full as efficacious, whilst, at the same time, an equal facility of providing them would exist. And wherefore should not the Bank of England advance them, as it has advanced them heretofore? Or should it so ill consult its own interest, to refuse such

assistance to the government, wherefore might not other modes be speedily devised, equally advantageous to the government, though much less so to the present Bank?

Upon the whole, therefore, notwithstanding the probable decrease in the revenue, which a diminution of the circulating medium would occasion, (for the risk of injuring or affecting the system of our public loans, and the means of providing for our public expenditure, which is apprehended by Sir John Sinclair, seems nothing but ideal) it seems to be a great deal too much to assert, without much more proof than is to be found amongst the Observations which have been examined, ---“ That the suggestions of the Bullion Committee, if carried into effect, would do more mischief to the British Empire than the fleets and armies of Napoleon will ever be able to accomplish,”* how small soever that, I trust, will be. Whilst, on the other hand, it seems there is strong ground for reasonable apprehension, that if those suggestions, or others of a tendency equally efficacious, are not carried into effect without much further delay, our manufactories will be abandoned, our commerce prove unproductive, and public credit be altogether ruined.

But to come in due form to the

“ Conclusion.” [P. 52.]

In which Sir John Sinclair states his full conviction, “ That if Parliament will consider the measures proposed by the Bullion Committee as perfectly unnecessary, and will resolve to maintain the present system of circulation unimpaired, there will be no difficulty in finding pecuniary resources for carrying on the war in

* P. 10, 51. 52.

“ which we are at present engaged, for as many years as may be essential for our safety.” And, “ On the other hand, that if we attempt to overturn our present system of circulation, and to try any new experiments with our paper currency, it would occasion mutual distrust, and would create a want of confidence in the stability of our resources, and thence would be productive of such scenes, both of internal misery and external weakness, as would terminate in general anarchy and total ruin.”

If the grounds of these several convictions, which I have already with some care endeavoured to scrutinize, as yet, to the reader, appear hardly tenable, when we come to examine the Appendix, they will, perhaps, appear still less so. In short, the theory upon which Sir John Sinclair would build his system for procuring resources for carrying on an eternal warfare seems, in effect, nothing better than, by the partial and arbitrary cancellation of interest upon our old debts to provide for the temporary payment of interest upon our new debts,--- these, in their turn, to be cancelled in like manner as the former. Nay, the very apprehension which he entertains for the consequences of overturning our present system of circulation seems to betray a consciousness of its want of stability and inherent durability. No such scenes as he imagines could arise were our currency, as it ought to be, composed of the precious metals, or of paper immediately convertible into them. By adopting the measures proposed by the Committee, such would our currency speedily become. We have distantly been witnesses of the dire effects of a paper currency, upheld by

successive governments, though most ruinous to the people. We have seen how it originated, and with horror have observed its progress. We have seen but too nearly, that in consequence of temporary and partial calamities, indiscreet arrangements, or extraordinary emergencies, it was expedient for our own government, near fourteen years ago, to declare the Bank of England exempt from the liability of paying their promissory notes in cash, at a time when the exchange was favourable to us, when the market price of gold was lower than the mint price, when the number of country banks, it is believed, was only *two hundred and thirty*, when the amount of paper of the Bank of England then in circulation, scarce exceeded *eight millions and a half*.* Since that period the rate of exchange has fallen so low as *fifteen*, nay *twenty* per cent. against us; the market-price of gold has risen *fifteen or twenty* per cent. above the mint price; the number of country banks, it is believed, has been increased to *seven hundred and twenty-one*; and the paper of the Bank of England alone has been augmented to nearly *one and twenty millions and a half*.† In the mean time the advance in the price of provisions has been most rapid, alarming, and distressing to multitudes of the people. The people are not blind to all this.--- Surely the Parliament cannot remain blind to it.---Let the Parliament then take heed.---“ *Ne aliquid detrimenti respublica capiat.*”

* P. 46 Accounts.—But the average amount for a few years preceding was between ten and eleven millions.

† P. 48. ib.

We have previously had occasion to touch upon some of the principles with which Sir John Sinclair has been pleased to present us in the form of an Appendix.

“ ON THE GENERAL NATURE OF COIN, OR MONEY,
“ AND THE ADVANTAGES OF PAPER CIRCULATION.”
[P. 53.]

In the examination of this Appendix, therefore, it is not to be expected that the reader should be indulged with matter that is perfectly new. The same principles will lead to the same conclusions. The same line of argument will be applied to the same topics. But as it is in this Appendix that we are to look for the sources of those doctrines, upon the authority of which the measure proposed by the Committee is so vehemently condemned, and the present system of paper currency modified, indeed, in some respect is so highly to be applauded, it demands our more particular attention.

We have already noticed what are the author's conceptions with regard to the precious metals in the early ages of society, and what are the three important purposes which they answer. We have also been apprized of his sentiments regarding a well-regulated paper currency; how, in ages of civilization and refinement, it is, with a small proportion of the precious metals in a state of coinage, equally useful, indeed, on many accounts, more advantageous. But it is fit we should here take a nearer view of his doctrines upon this subject.

“ Money,” says Sir John Sinclair, “ (by which is meant a well-regulated paper currency, with a small

“proportion of coin) becomes in a civilized state of society the medium of barter, both for labour and goods, and, in a manner, the source or basis of public revenue. It is necessary, therefore,” he adds, “to preserve a due proportion between its amount, and 1. the quantity of labour that must be paid for; 2. the quantity of goods or merchandize, the property of which must be transferred; and, 3. the total amount of the demands and expenses of the Exchequer, whether arising from taxes, public loans, or any extraordinary species of contribution.”

Now it may be difficult to collect from this statement, formal as it is, but not so simple as it ought to be, presented in the form of principles, what is the author's true idea of money, so described, in a civilized state of society. It is a medium of barter, both for labour and goods; in other words, it is a token, whereby the holder of it may obtain from any one labour, or a commodity equal in value to the labour or the commodity, which the holder has performed for, or rendered to another. But how is this the source or basis of public revenue? It seems, according to the common acceptation of the terms, to be neither one nor the other, any more than it is the source or basis of private income. 'Tis true the owner of land lets it to the farmer for money; the farmer sells the various produce of the land, the manufacturer the several pieces of his workmanship, each of them for money; but land and labour, therefore, not money, are the source or basis of their wealth and their revenue; and so too the land and labour are, in like manner, the source or basis of the public revenue of a country. But money is the medium by which the produce of the land and labour is circulated; it is the instrument by which the resources are conducted and applied to their appointed purposes. Money, therefore,

is the article in which the taxes are paid, as being the means by which all other commodities, and labour itself, of every kind, are to be obtained. We shall soon see to what erroneous conclusions the principles of Sir John Sinclair will lead him.

But to proceed orderly to the first and second positions, that “it is necessary to preserve a due proportion between, 1st. the amount of money and the quantity of labour that must be paid for; and, 2dly, the quantity of goods or merchandize, the property of which must be transferred.” Now, if by a due proportion he meant a certain fixed ratio between several quantities, as a general principle, this does not appear to be correct; and will, in fact, be found to be at variance with Sir John Sinclair's own doctrines. The quantity of labour, in consequence of the increased industry of the inhabitants, or of increased population itself, may be increased, which would of course produce an increase in the quantity of goods or merchandize, yet need there, of necessity, be no increase in the absolute quantity of money. The mines may fail, and only a limited quantity of paper money might be allowed; perchance there might be none at all. On the other hand, the quantity of labour and of goods or merchandize may be diminished, whilst the quantity of money may remain the same, or be increased. It is true, the relative value of money would, under these circumstances, be altered; any given portion of it would purchase a greater or a less quantity of labour and goods than the same portion of it would have purchased prior to the increase or diminution of the quantity of labour and goods, as the case might be; but that hardly proves the necessity, whatever

might be the general utility of preserving the same relative quantity of money in every case.

With regard, then, to the 3d position, that it is necessary to preserve a due proportion between the amount of money "and the total amount of the demands and expenses of the Exchequer," it seems that the order of things is here a little inverted, and that we should rather read, that it is necessary to preserve a due proportion between the total amount of the demands and expenses of the Exchequer, and the amount of money in circulation, or, in other words, the price of goods in general. For, let us suppose that the circulating medium of a country amounts to forty millions of pounds sterling, and the government requires ten millions annually for the public service; that sum is raised, we will say, by a tax upon the inhabitants, equal to one-tenth of their income;---of what real utility, if this tax be intended to operate fairly, is any addition to the circulating medium likely to prove? When it is stated that ten millions are requisite for the public service, the efficacy of this sum of ten millions is estimated upon the supposition that the price of labour and merchandize continues the same, and therefore will not be sufficient, if the price of labour and merchandize be augmented. If the circulating medium be increased in proportion to the increase of the taxes, whilst the quantity of goods remains the same---the taxes, previously imposed, will be rendered less availing, and, consequently, a necessity will arise of imposing still further taxes upon the people; and hence it would soon be found, that such increase of the circulating medium afforded neither the people nor the government any real aid whatsoever, excepting in the case o which it is proper that I should advert.

In states, indeed, where money is raised by way of loan, payable at a distant period, with interest in the mean time, or by way of perpetual annuity, it is clear that, supposing the quantity of goods to be increased, but the quantity of money to remain the same, the public would pay more than in strict justice they ought, were they to repay the very sum originally advanced for their service. And so, on the other hand, would they pay less than they ought, if the relative quantity of money were to be increased.

It is somewhat remarkable, that Sir John Sinclair, after having stated as a principle, that it is necessary to preserve such due proportion, as above noticed, should presently add this qualification: "The quantity of the medium of circulation, however, instead of being stationary, ought to be increasing. 1st. To promote a greater quantity of labour, which," he observes, "is always increasing where a circulating medium abounds. 2d. To facilitate the transfer of a greater quantity of goods." "3d. To enable the people to furnish, without inconvenience, greater supplies to the Exchequer." But that we might not be left to guess in what manner, physical or moral, the increase of the circulating medium promotes any greater quantum of labour,---a notion which the examples of Spain and Portugal notoriously contradict,---and by way of informing us how a pound-note, which can purchase only the fourth-part of a quarter of wheat, facilitates its transfer more than ten shillings formerly facilitated it, when it might have been purchased for that price,---and that we might not remain totally ignorant with regard to the true equitable proportions in which the

various classes of people ought to contribute to the service of the state---the author proceeds to apply "these" his own "general principles, 1, to the case of an *increased* quantum of labour; 2, to an *increased* commerce in a transfer of goods; and 3, to an *increased* revenue, &c. concluding with some observations on circulation and paper currency."

With respect to the first, "*The increased quantum of labour.*" [P. 55:] Sir John Sinclair observes, that "an increased medium of circulation, is of more consequence, with a view of facilitating the convenient payment of labour, and furnishing the credit or capital necessary for that purpose, than, perhaps, in any other respect." He admits it is true, "that labour properly applied is the basis of national prosperity." Yet when he adds, "but who will labour unless by his exertions he can be furnished with the necessaries he may require, which can only be effected through the medium of an abundant circulation?" He spoils a fair passage by its conclusion, *Desinit in piscem mulier formosa superne.* For if, without any further increase of circulating medium, that which exists is already sufficient for the payment of such labour as is demanded, what advantage can arise from the merely ideal additional facility which any further increase of that medium may afford? If labourers are to be obtained at the rate of ten shillings a week, what benefit to them, or to the country, though their employers should be rendered capable of paying, and should actually pay them fourteen, if, with those fourteen, they can purchase no more bread and meat, no better lodging and clothes, than they before could with ten? What additional quantity of commodities the increased labour of the

people can furnish would, if the mines continued to yield their accustomed produce, and the commerce were open, naturally attract an additional quantity of circulating medium. But if this be, in the first instance, introduced, the natural consequence is an increase in the price without a necessary increase in the produce of labour. And though the industry of a nation should be on the advance, and, consequently, the quantity of its merchandize be increasing accordingly; yet it, nevertheless, should fail to draw towards it an additional quantity of the circulating medium; or if the former should increase in a greater proportion than the latter, the relative value of this would be increased proportionally. So that, in either case, there would be sufficient means for discharging the wages of labour, however considerable in effect they might be.

It seems to have been an error into which many other persons besides Sir John Sinclair have fallen, but which I thought, ere this, had nearly been exploded, to suppose that, if the medium of circulation be diminished, the interest paid for the use of it must be higher than if it continued as abundant as it is at present. That the medium itself must acquire an increase of value from being scarce is true; but so also must the interest which is payable for the use of it, and exactly in the same proportion. It, therefore, appears quite unreasonable and inconsistent to suppose that the same proportion should not be observed in the regulation of the rate of interest, whether twenty or fifty millions of money were to be employed in the circulation of a given quantity of goods. For it is not the great or the small nominal amount of the money, which may be in circula-

tion, that renders it in this respect plentiful or scarce,--- its plenty or scarcity depends rather on the great or small unemployed capital, measured by the quantity of productive labour which it can purchase.

The question, therefore, whether money is to be obtained at a high or a low rate of interest, depends rather upon another circumstance than that of its great nominal amount, viz. upon what may be the profit of money employed as active capital. If labour is to be procured cheap, the profit of the capital, by means of which the labour is rendered productive, is great, and a high rate of interest, therefore, can be afforded for the loan of that capital. On the contrary, where hands are scarce, the profit upon capital is small, and, consequently, a low rate of interest only can be afforded for the loan of it in such case. And, hence it matters not much, in this point of view, what may be the nominal amount of the circulating medium, but what the quantity of productive labour which can be procured. Whether, therefore, it be a "temporary command of money that is required," "for common commercial purposes," or "with a view of effecting lasting improvements," that money be required for a long period of time;---the rate of interest (notwithstanding Sir John Sinclair conceives it ought, in the latter case, to be moderate) cannot depend much upon the amount of the circulating medium. New roads, harbours, mines, buildings, together with all the various branches of agricultural improvements, which he has specified and alluded to, may be as speedily and profitably undertaken, though there be no increase whatsoever in its quantity, provided labourers are to be had, and there is capital to employ them.

Sir John Sinclair, however, insists that there cannot be a more mistaken opinion than "that the prosperity of a country depends but little on the quantum of its medium of circulation;" and he asserts, that "an industrious nation must prosper in proportion to the quantity it possesses or circulates." [P. 56.] But how does he set about to prove this? Why, he supposes the total circulation of Great Britain to be forty millions sterling, in coin and in paper, bearing an interest of 5 per cent. "Then," says he, "if it were reduced to thirty millions, bearing an interest of 6 per cent. how much would not the industry of the nation be cramped? Whereas, were it raised to fifty millions, bearing an interest of 4 per cent. and the whole of it actively employed in various industrious pursuits, it cannot be doubted that the prosperity of the country would increase with a celerity, and be carried to a height which would not otherwise have been attainable." Thus taking for granted what is positively denied, both upon principles of reason and experience. The question we have already considered upon the former ground, and we have only to contemplate what is passing before us to satisfy us upon the latter. Has not our circulating medium been, of late years, prodigiously increased? Yet, has not the rate of interest continued as high as the law permits? It is strange that, with such facts immediately before his eyes, Sir John Sinclair should have ventured on such an argument. The truth is, an industrious nation will prosper however small may be the quantity of its circulating medium, unless there be other causes to counteract the natural effect of its industry. The smaller the quantity of

this medium, the lower is the money price of labour, and the less, therefore, is the capital necessary for employing it. The efficacy of capital is inversely as the quantity of money in circulation.

Next as to "Increase of Commerce." [P. 57.]

When we are told by Sir John Sinclair, that "nothing can be more evident than that an increased commerce, or the transfer of an increased quantity of goods cannot be carried on to advantage without an increased medium of barter; if we had not before had occasion to doubt such very evident propositions, we might have been fearful of expressing any doubt on this. But how shall we believe that it is not advantageous to one industrious nation to export the surplus of its produce to another, after retaining sufficient for its own supply and consumption, how much soever that surplus may, from time to time, be increased, and to receive in return an equivalent of the surplus produce of the latter; even though there should be no increase of the circulating medium in either of the countries so trading with each other? Is it not most evident that such commerce is highly advantageous to both?"

Sir John Sinclair, however, admits that, "to a certain extent commerce itself furnishes this increased medium of barter by means of bills of exchange, and the rapid circulation of money which they occasion." "But still," he adds, "that accommodation is not sufficient, and commerce has experienced, and must experience, frequent checks, unless there is at all times plenty of money in circulation in proportion to its increase or

extent." In answer to which latter observation, it is enough to remind the reader of those circumstances which seem chiefly to occasion a demand for money on the part of the merchant, and a consequent advance to him.* The reader will hardly be of opinion that they are such as imperiously demand any increase of the circulating medium, beyond its true natural level. Cases, indeed, of rare emergency, may arise, when it may become expedient to uphold, in a special manner, the manufacturing and mercantile interests of a nation; but these ought not to be permitted to grow into use. In ordinary times the extreme facility of obtaining large sums of money, in consequence of its depreciation, which Sir John Sinclair so approves, seems, upon the whole, to be of no essential benefit whatever. He is aware of the ready reply that may be made to his doctrine, in favour of an increased medium of circulation, as being requisite for the merchant, to enable him to bear up against the checks which he may sustain,---"Let him sell his goods cheaper, and he will always find a market;" and observes, therefore, that "unless the sale of merchants' goods is attended not only with indemnification, but with profit, there must be an end to commerce; and, unless a merchant can procure money on loan, until a sale can be made on fair and adequate terms, he may be ruined." But may it not justly be presumed, that the loss upon one speculation would be made up by the success of another? Or is it really to be desired, I mean by the community at large, that the profits of the merchant should be more than what upon general average are fair and reasonable? Nay, Sir John Sinclair himself, in the

* See p. 61, Sup.
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very next passage to that which we have been just examining, allows, that all the encouragement of speculation that is wished for is, "that merchants may have the command of money at the legal interest of 5 per cent. when they have occasion for it, and can produce good security." But the question whether money may be obtained at that rate, or a higher or a lower, does not, if the foregoing observations on that subject be correct, depend only, as Sir John Sinclair supposes, upon the quantity of money in circulation, but on causes altogether different? How great soever may be the increase of the circulating medium, it follows not that the rate of interest would, in the smallest degree, be diminished in consequence of that increase. Whether it be not desirable that the quantity of the circulating medium in a country, conditioned as this is, should be increased in proportion to the increase of the quantity of merchandize or commodities which it is employed to circulate, is another question, which, perhaps, it may be requisite hereafter to consider.

With regard then to "Increased Revenue," [P. 58]

In this curious subdivision, curious on account of the matter it contains, it is first stated, in words somewhat different from those which we have already noticed,* that "the public revenue of a country, unless derived from property in land, evidently arises from the goods or merchandize, or the value thereof, which the individuals of a nation can furnish, after supplying themselves with the necessaries and conveniences, and what some would call, even the luxuries of life;" but it is then immediately added, that "after a public revenue has reached a certain standard, let us suppose

* See p. 46, Sup.

that ten millions of additional income is necessary for the public exigencies: how," we are asked, "is that sum to be raised, without, 1, more goods or wealth; or, 2, a higher price for them; or, 3, a greater facility of barter, by means of an increased medium of circulation?"

Now, though Sir John Sinclair admits, and strange should he not, that "an additional quantity of goods, to a certain extent, may be obtained by greater industry, and improvements in agriculture and other arts;" yet he contends that, "unless there is a more extended market for them, the price diminishes, and the result proves, on the whole, rather a loss than an advantage to the community." But whilst commerce is free, or not fettered by a barbarous policy, are not markets always to be found, in which, whatever may be the additional quantity of goods which the industry and skill of a people may enable them to produce, they will never fail to be purchased? I speak not of times like the present, when the rulers of empires will sacrifice the common interests of nations, and, in order to accomplish an injury to their enemy, voluntarily court ruin to themselves; but of ordinary times, when the general interests of civilized society are mutually respected by states warring with each other.

Yet, though no more extended markets should be provided for such additional quantity of goods as is here supposed, observe how it is attempted to be proved, that a loss rather than an advantage results to the community;—it is thus:—"Let us suppose

“pose,” says Sir John Sinclair, “that the goods annually produced in the United Kingdom are worth one hundred millions sterling per annum; if the quantity were increased one-fifth, and if the price were lowered in proportion, we should not, *in a pecuniary point of view*, be one farthing richer; and, in regard to finance, the people at large would, in fact, be less able than before to furnish supplies to the Exchequer. All the classes of the community, by whose industry the goods were made and brought to market, would not be able to pay near so much as they did before, and would necessarily be impoverished.” But is it not plain, (as the reader has already had occasion more than once to consider) that if, as is here supposed, the increase in the quantity of goods is the cause of the diminution of price, the less will be the amount of the additional revenue required -- that the old revenue, continuing the same in amount, will be more effective than when the price of goods was higher? that if the circulating medium amounted to twenty millions, and the value of that medium, in consequence of the increase in the quantity of goods, were raised one-fifth, and the price of goods were proportionally lowered, instead of ten millions, the sum, according to the former value of money requisite for the public service, eight millions only would thenceforth be requisite for the same purpose;* and, consequently, that the various classes of the community might be exonerated from the nominal amount of the former taxes in the same proportion? And hence is it not plain that none would be impoverished in the manner which Sir John Sinclair would lead us to

* I here leave out of consideration the circumstance of interest being payable upon a public debt, and confine myself to the case, as simply stated by Sir John Sinclair.

imagine; though all would, doubtless, be essentially benefited by the increased industry and produce of the country?

It would, indeed, have been a curious phenomenon in political economy, that the increased industry and improvements in the agriculture and other arts of a nation, should be rather a loss than an advantage to it; and that, because they possibly may not, in a pecuniary point of view, make it one farthing the richer, they may not make it substantially richer in all the additional wealth which increased industry and improvements are ever capable of affording.

2. To proceed, however, to Sir John Sinclair's second supposition, -- “Let us next suppose,” says he, “that the quantity of goods remains the same, but that the price increases one-fifth; the amount of the annual income of the nation would then rise from one hundred to one hundred and twenty millions in value, and there would be a much larger fund for paying the demands of the public?” But here also is the like fallacy in reasoning, -- for is it not clear, that if ten millions were requisite for the purposes of government, when one hundred millions only were the amount of the circulating medium, one-fifth more, or twelve millions, would be requisite for the same purposes, when the price of commodities were increased one-fifth, -- and that each individual would pay one-fifth more in money, not only by way of taxes, but for every article of which he might stand in need?

3. Still, however, Sir John Sinclair persists with another, his third supposition, viz. “That the

price not only increases, but there is also an additional quantity of the medium of transfer, by which a good market or rapid sale is secured. The country is then," Sir John Sinclair proclaims, "in the highest possible state of prosperity." Indeed!—Yes. For abundance of merchandize, at a high price and a rapid sale, constitutes the summit of national felicity, in so far as regards income or revenue; and a nation enjoying such advantages can pay, without difficulty, taxes to an amount that seems hardly credible to nations which have not been placed in the same situation." Now, though abundance of merchandize and a rapid sale may, indeed, in a great measure, contribute to national prosperity, in so far as regards income or revenue, whether private or public;—yet, the prosperity of a country, in regard to its income or revenue, is not to be measured by the numerical amount of that income or revenue, alone, but by the quantity of service and commodities which it will purchase; for of what importance is income or revenue, except with reference to the services or commodities it enables us to obtain? Its sole utility, depends upon the quantity of these which, it can command. It is, therefore, somewhat hard to discover, though the revenue be never so large, in respect to its nominal amount, how it is preferable to one that is smaller, if the same services and commodities can be procured by means of this as of that. Surely our statesmen are not more eminent for their wisdom or their virtue;—our judges for their learning and integrity;—our fleets and armies better disciplined and equipped, because eggs and butter bear a higher price? In proportion to the increase of the relative quantity of the circulating medium must the taxes, for the

common purposes of government, be increased. In states, therefore, where there is no public debt, the depreciation of money is, on the whole, no way conducive to the easy payment of taxes: it is so only where such depreciation operates in like manner as a cancellation of the debt. As to the facility, therefore, which any additional quantity of circulating medium,—one of the splendid advantages to which Sir John Sinclair alludes,—can afford for the payment of taxes; it can afford no facility whatsoever which is not detrimental to the interest of, and in some degree proportionate to the injury sustained by, the public creditor. But is this the advantage which enables a nation enjoying it to pay, without difficulty, taxes to an amount hardly credible to nations which have not been placed in the same situation? Shame upon the nation which would intentionally aim at such an advantage! which would deprive, or defraud, the public creditor of a fair equivalent for the advances which he has made for the service of the state in times of difficulty and danger! an ignoble conduct! a violation of the principles of justice, of honor, and of policy! a practice most studiously and anxiously to be avoided. To these effects of a depreciated currency no one, who for a moment considers, can be blind. Sir John Sinclair is himself aware of them, of how small importance soever he seems to hold them. "Those with fixed incomes," says he, "may, in some respects, suffer, but," to console them, he adds, "they are sufficiently indemnified by the certainty and the regularity with which those incomes are paid; the high price which their capitals, either in the funds or in land, fetches; and the easiness with which they can

“obtain credit, or capital, or increase their wealth by industry.” Sufficiently indemnified! sufficiently indemnified for the loss of the third, or the half, part of their property! And if the system be continued, for the loss perhaps of two-thirds, three-fourths, nay, of the highest fractional part of every pound which they possess! Is the certainty and regularity with which the remainder may be paid, and the high nominal, but low real, profitable price at which they may sell their capitals in the funds: even supposing that price in any degree to depend upon the quantity of the circulating medium, is the ease with which they may obtain credit or capital to an enormous nominal amount, but no more effectual, than that which they can obtain at present; nay, not so much—for the security which they could afford would not in reality be so great—to be held out as a sufficient indemnity for such severe and heavy loss as has just been intimated? What though our land, if we have any, should be sold fifty or an hundred, nay, a thousand per cent. above its cost to us;—if the difference proceed only from the depreciated state of the currency in which we receive payment for it; are we therefore foolishly to fancy ourselves the richer? Are any of us so infatuated, as to be misled by such reasoning as this? No, we shall doubtless believe, rather, that the fair and full enjoyment of our property, whether in land on mortgage, or in the funds, might as effectually be secured to us, though no such heavy mulcture, much more, than second income tax, were imposed upon us. If the quantity of the circulating medium of this country, instead of having become relatively, as well as absolutely, more abundant

than formerly, had been relatively diminished, and consequently, its value increased—probably no question at all would have been made, whether the public debt ought not to be diminished proportionally. Both justice and policy would have required it. This would, indeed, have been a case in which, as far as the creditors of the public were concerned, the circulating medium might to that end very properly be increased—in which promissory notes or assignats, to a certain extent, might honestly be employed, so as to reduce the value of the circulating medium to its former scale. Nay, I apprehend it must, upon principles of general expediency, be admitted, that when the expence of maintaining a government, and of providing for the punctual discharge of the debt which it has contracted, or the interest thereon, has increased to such a pitch as well nigh to exhaust the whole produce of the land and labour of a country, and nothing is left but a bare subsistence for the bulk of the people, the cultivators of the soil;—for in such a state of things manufacture will decline and perish:—it then may become a question, if it has not before, whether a government in so circumstanced ought not to be dissolved; or, at least, whether the interest of the public creditor ought not to be sacrificed, either partially or wholly, for the public good. It is not likely, indeed, that a government should either be willing, or able, to protect the interests of its creditors to the extent here supposed. It would become bankrupt long before it arrived at the utmost possible limit of taxation. The people would not bear a load so oppressive.

But, surely, Sir John Sinclair does not mean to main-

tain, that we have already exceeded what the nation can bear;—that it is necessary even now to withhold from the public creditor some, and indeed no small portion, of the stipulated return for his advances, besides what he must contribute out of the residue in common with the rest of the people. For if such be verily the case, how can Sir John Sinclair contemplate, with such high degree of satisfaction, the mere flattering, dressed-up, outline which he has drawn of the present situation of the country; and disregard the pale, and death-like countenance, and all the sure indications of decay, in the original?

But, to proceed with our examination of what further Sir John Sinclair has to advance upon the several branches of this subject. After concluding from the preceding train of argument which we have noticed, that “three things are essential for public prosperity; viz. 1st. “An additional quantity of labour or goods;” 2d. “An adequate price for goods;” and 3d. “An increased medium of barter.”—“Let us consider,” says he, “how the last, which is by far the most material, can be obtained; for the greater the quantity of circulating medium, the better the price of goods will necessarily become, and the better the price of goods, the more they are likely to become abundant; for good prices necessarily promote the raising a greater quantity of goods, whilst, by improvements in machinery, they can often be manufactured cheaper.” But is not all this very strange reasoning? At least, it would have been thought so not long ago, for till of late it was thought, that the lower the price of goods, the greater would be

the demand for them; that the increased demand would tend to increase the price, which, on the other hand, would tend to increase the supply, and yet, at the same time, to lessen the demand. So that a due balance would ere long be naturally restored between the supply and the demand. It was, moreover, thought likewise, that improvements in machinery were truly beneficial to a country, as being productive of a greater quantity of goods, by means of the same, or even a less quantity of labour,—thus enabling the manufacturer and trader to tender them at lower prices in the market, and hence to render them more generally attainable. What additional profit does the manufacturer enjoy, though he sell his cloth a shilling per yard higher, if he must pay proportionally higher wages to those whom he is under the necessity of employing in manufacturing that article, and a proportionally higher price for every other article which he may be under the necessity of purchasing for the carrying on his business, and for the maintenance of himself and his family?

It should seem, indeed, from Sir John Sinclair’s mode of treating the question, that money, no matter whether it be gold or paper, has virtues which, many as they are, it never was before supposed to possess,—that the greater its abundance, the greater must be the prosperity of the nation in which it circulates;—but though millions, and billions, and trillions of pounds sterling, not in paper, but in precious metal, lay like mud in the middle of the streets, so plentiful that all might take their fill, is it to be contended, that this additional medium of transfer would insure a better market, a more rapid sale

for the goods now lodged in the shops and warehouses of our tradesmen and our merchants,--for the grain in the barns, on the flocks and herds in the pastures, of our farmers? Would they part with them the sooner because money had become a drug--a mere oyster-shell for boys to skim across the water? What, then, shall we say of such a circulating medium as we have at present, composed as it is of mere scraps of paper--of no intrinsic value whatsoever? Abundance of merchandize, and a rapid sale, are, indeed, symptoms of prosperity; but wherefore should not these exist, even infinitely beyond their present extent, though no addition were ever made to the quantity of the circulating medium,--nay, though it were positively diminished? Would not its value increase in proportion to the diminution of its quantity?

Lastly,--"On a Medium of Barter, or Circulation and Paper Currency." [P. 60.]

It would not have required any very miraculous spirit of prophecy to have foreseen how these principles, which we have examined, would be applied, though we had been ignorant of Sir John Sinclair's previous observations upon the Report of the Bullion Committee. But let us hear it from himself:--"In countries," says he, "where mines do not exist, if the precious metals alone are the medium of circulation, an increase of coin or specie cannot be obtained, except by means of commerce; but in that case goods must be exported to purchase bullion for the purposes of coinage,--and the nation is to that extent impoverished, merely to procure a medium of barter. For instance, if

"in consequence of additional taxes ten millions of money would be wanted for additional circulation, were gold and silver necessary for that purpose, ten millions worth of goods must be exported merely to procure the representative of circulating wealth."

"Hence," he adds, "the advantages of paper money. Gold and silver, represent property actually sent abroad, and in the possession of foreign nations; whereas paper money, when issued upon proper principles, represents property at home, and in our own possession." But before any pains were taken to shew how an additional quantity of either gold and silver, or paper money might be procured, it ought to have been shewn, that such an additional quantity of either would really be requisite; for it does not appear that the supposed case of additional taxes would necessarily make it so.

Now, although by the employment of paper money, instead of species, at home, a nation is enabled to trade with the latter abroad, wherein consists one great advantage derived from the use of the former.--Yet how is it that a nation is impoverished to the extent of the goods exported to purchase bullion for the purpose of coinage--and what in this respect is the real advantage of paper money? Surely it cannot be made a question, but that the gold and silver, which are imported into a country in exchange for the produce of its industry, are not merely the representative of, but, considered as merchandize, (according to Sir John Sinclair's own notions)* are substantially property itself, and the more valuable as being immediately exchangeable in all civilized countries for property of other

* P. 54. See p. 38, 39, Sup.

descriptions---and in this view, that it is as beneficial to a nation that it should have in its possession its due proportion of them, as heaps of baneful commodities which last not beyond a season, and add nothing to the sustenance, the health, and vigour, but are subservient only to the luxury and vice, and conducive to the ruin of its inhabitants---nay, as any other species of unproductive capital whatever.

But the paper money, it seems, should be issued upon proper principles. Yet what these proper principles are, we do not find precisely stated; we are rather left to collect them as we can from Sir John Sinclair's subsequent observations. No easy task. "Paper currency," he remarks, "which, strictly speaking, may be defined any security payable to bearer on demand, is of three sorts;---the first issued by the government of a country; the second by private individuals; and the third by corporations, erected for that special purpose." Hence, therefore, we should naturally conclude, that the paper money which is not payable to bearer on demand, is not of that description which falls under the denomination of paper currency issued upon proper principles. And what, then, shall we say of the notes of the Bank of England---that they are issued upon improper principles? Be that, however, as it may---After considering various objections to the paper money which might be issued by the government;---the many favourable, as well as lamentable, consequences, which, in Sir John Sinclair's mind, seem to have attended the issue of paper money by private persons; but admitting "that it might be so issued with much national advantage, if they were

put under proper restrictions, in regard to their furnishing security to the public for the paper they issue," he concludes that, the issuing of paper by corporations, erected for that special purpose, is by far the most eligible plan: observing, that "any abuse of this privilege will be checked by government, whereas no government will check any enormity in its own issuing. Want of credit," he proceeds, "which must frequently overturn private banks, is not likely to affect a public establishment, investing a large capital in a great undertaking. A corporation, he adds, is more likely to detect forgeries than the managers of any national concern, and less specie is necessary to circulate a million of paper belonging to one great body, than to a number of private bankers, separated from each other, and each of whom must have a separate hoard." Now all this, in itself, is very well. The plan here approved is that which another writer of totally different sentiments, with regard to almost all the doctrines which are professed in the work under examination, has proposed as most proper to be carried into effect. But, besides the advantages which Sir John Sinclair has enumerated, one other very important advantage might be derived from it, namely, the appropriation of a large portion of the income to arise from the exclusive issue of paper money, to the service of the public. See "A Letter, containing observations upon some of the effects of our paper currency," &c. p. 77. The chief object of this letter is to shew, that the present high prices proceed from the excess of currency;---the injurious consequences to individuals and the nation at large, and the remedy proper to be applied.

We have, too, plenteous reason, however, for believing, that even the paper issued by a single corporation, would greatly exceed its due amount, unless it fall strictly within the description which Sir John Sinclair has, rather inadvertently, I think, admitted into his definition, viz. that it be *payable to bearer on demand*.---I say, rather inadvertently,---for, notwithstanding that important, I would say, that indispensable, condition, which he has theoretically annexed to paper currency, we have seen how strenuously he has supported the new system of a paper currency not payable on demand,---how highly he approves the consequences of that system, for the assurance it gives of easy credit, increasing prices, and an ability to sustain unlimited taxation. But hear his own words.---“On the whole,” says he, conclusively, “there is no means by which a nation can be rendered more prosperous, or can be better enabled to bear up under any pressure of taxation, than by such additions to the circulating medium of the country as can be admitted without inconvenience.” What, indeed, may be here meant by “inconvenience” it is not, perhaps, very easy to determine,---but it can hardly be conceived, after what has already fallen from the pen of Sir John Sinclair, that he should allude merely to such inconvenience as might possibly be felt by those classes of the people, who have only fixed incomes to depend upon for their support. Neither can he allude to the still more trifling inconvenience which might eventually arise from the indefinite increase of figures in the books of our bankers, merchants, and public accountants. With regard, however, to the means of attaining the important ends above specified,---though increased industry and improvement in the art

add largely to the stock of comforts and luxuries in which a people may innocently indulge,---though they afford more ample resources for raising and equipping our fleets and armies, and supplying them with every article on which they can stand in need,---though the abundance of produce, raw and manufactured, occasion large reductions in their money price, and the means of decent subsistence to the labourer, the mechanic, the tradesman, and the gentleman, are, in all respects, facilitated,---though the taxes are, therefore, felt less severely, nay, rendered capable of absolute reduction in their nominal amount,---yet, these benefits so arising to the community, from the causes I have mentioned, may be as well obtained by means of an abundant circulating medium,---by the mere increase in the price of all commodities whatsoever,---and lest we doubt it, “What,” we are asked, “is the foundation of the taxable income of the nation, but the annual sale of goods?” and if, by increasing the circulating medium you facilitate the sale of goods, or increase their price, do you not augment the income of the people, and consequently, enable them, with infinitely more ease than otherwise would be the case, both to pay their taxes and carry on their industry? In other words, by reducing the value of the circulating medium, do you not enable them, with infinitely more ease, to pay the debts they owe, than if the value of that medium remained the same?---If this be the real end in view,---if it be for this that our present system of paper currency is to be supported,---that the public creditor, instead of receiving the compensation solemnly agreed upon,---the fair acknowledged debt due upon the bargain, may be under the necessity of receiving what is equi-

valent only to its half, its third, or any less proportional part, let it at once be boldly and openly asserted,---let the champions of this Jacobinical system of finance come forth, and declare the object they are intent upon, and prepared by these means to accomplish. The question would then be simplified indeed. But, perhaps, it is already plain enough. If such, however, be not the meaning of Sir John Sinclair, the real ground on which his reasoning, in the passage now before us, is built, must be abandoned,---for all the necessary expenses of a government, (exclusive of defraying the public debt, or the interest payable upon it) and consequently the taxes, must necessarily be increased in proportion to the relative increase of the circulating medium, as already has been shewn. It has likewise been shewn, what little additional facility is afforded for the sale of goods by means of that increase; and, therefore, how little, in the long run, it can, in that respect, contribute to the encouragement of industry.--- We shall, ere long, see, perhaps, how much it may contribute to a directly opposite effect.

Already has it been the opinion of some of our merchants,* that, with regard to our trade with certain parts of the continent, our exports have been exceeded by our imports, and that, to this cause is partly to be ascribed the low rate of the exchange; and, indeed, it is sufficiently evident, that if the quantity of circulating medium, though composed partly of paper and partly of the precious metals, become so abundant in any country as to occasion the price of goods to rise much above their

* Min. of Evid. p. 52, Mr. Lynch. Ib. p. 63, Mr. Greffulbe.

price in other countries, it is the interest of the merchant to import such goods into the former from the latter, and from the former to export the precious metals, rather than the produce of its soil and industry.---Whereas, if the quantity of the circulating medium be kept within its due level, and the price of goods remain moderate, it would be more profitable to the merchant to export these, than the precious metals. To export that surplus of the precious metals which exceeds our wants at home, and which, from time to time, we have acquired upon the balance of our trade, which superior skill and industry in the manufacture of various goods had rendered favourable to us,---to ease ourselves of that which affords us no sustenance or clothing, and little scope whereon to employ our industry and art,---and in return to pour into our laps the necessaries and comforts of life, and the materials for productive labour from other nations, is a real and important benefit. It moreover tends to restore the general equilibrium of the medium of circulation, and to check its depreciation at home. But all attempts to do this effectually, must necessarily prove fruitless, so long as our paper money continues to be issued to such an excess, as for ever to retain our own medium of circulation much above its natural level. Whilst, on the other hand, it is to be feared, our manufactures will be rejected, by reason of their high price,---the consequence of that excess. Thus, at least, it is, that high prices, of which Sir John Sinclair has formed so favourable an opinion, have a natural tendency to check the industry of a nation, much more than to promote it.

Perhaps indeed, it may not, on the whole, be very material to a nation, though its medium of circulation be depreciated to a certain fixed extent, by reason of the known reduced intrinsic value of its coin, due provision being made for the fair adjustment of the claims of creditors;—yet, where the currency is depreciated by reason of the great, but still growing, abundance of paper money, which yet retains the same value as the coin itself, (a rare case if they long abide together); or where the medium of circulation consists of paper money alone, of merely nominal value, indefinite, and perpetually increasing in amount,—as there is no fixed standard whereby to adjust the respective claims of creditors, or to regulate the price of goods,—the inconveniences and difficulties which must be experienced in a country so situated, though at first, perhaps, almost imperceptible, must in time, and that not distant, grow up into great and direful calamities.

The peculiar operation of our present system of circulation upon certain classes of the community, we have more than once been led to consider in the course of this Examination; we have observed with what apparent anxiety the landed proprietor, the manufacturer, and the merchant, have been roused to the contemplation of their respective interests; and now again, towards the close of his Appendix, Sir John Sinclair particularly selects them as the fit instances to prove the benefits theoretically resulting from an increasing abundance of the circulating medium—how worthy their support is our present paper system. “Let us take,” says he, “the case of a landed proprietor of 5000l.

a year. His tenants, from a scarcity of money, may not be able to sell their produce, or may be obliged to take an inferior price, or to agree to a distant payment. In that case, how can he receive his rents punctually, or pay regularly the demands of the Exchequer. Increase the circulating medium, and these difficulties will vanish. By an increased price, and greater demand, he may be enabled to raise his rents, and to pay any additional demands from the Exchequer, without materially diminishing his own expenditure, and, consequently, without much inconvenience.” The trading part of the community, “whose success, it is declared, entirely depends on a command of capital, or on credit” is then summoned to attest the benefits of this increasing flood of paper currency. “Open a bank where the manufacturer, or the merchant, can discount their bills with certainty, when the security is good; and they will find no difficulty in paying the taxes, to which they are subjected, and extending their commercial concerns.” But to sum up all.—“The same observations,” Sir John Sinclair adds, “are applicable to almost all the various other classes of society.” But can we patiently bear with such language and doctrine as this? Increase the circulating medium!—Open a bank! Go, dig a well for some water! Sink a pit for some coals. You may raise money more easily.

How far the landed proprietor may feel disposed to fall in with the adoption of such principles as these in practice—how ready our legislators (whose wide-extended domains constitute their wealth) may be to incline their ears to such doctrines as are here promulgated, I

will not venture to determine. Sure I am, that the country is not without men who would scorn every opportunity of depriving those to whom they are honestly indebted, of one shilling of their due; that it is not without men, warmed with a jealous desire of contributing their share, their full and equal share, to the service of the state, to the maintenance of the honour, the independence, and the glory of the nation, to the fair and just recompense, and indemnification, of those who, in great emergencies, have come forward with the accumulated savings of their industry, or their patrimonial fortunes, acquired by the like means, to provide for its honour, its independence, and glory, in the times which are past. But if any there be, deaf to the dictates of justice, if not of gratitude, let him consider also such other consequences of the depreciation of money which I have before represented to the reader. Let him consider the rent which he receives upon leases granted long ago, how much annual income he loses by means of that depreciation, and how much more he is likely to lose should any further depreciation take place. Lastly, let him present to his imagination, the awful crisis, which an ever-increasing depreciation of paper money must inevitably produce. He will then, perhaps, when it is too late, hesitate and doubt whether he may not altogether suffer much more than profit from this increasing abundance of the circulating medium.

And, what are the important benefits arising to the manufacturer, or the merchant, from this increasing abundance of the circulating medium? In proportion to that increase, will not the supplies of which they may stand in

need be increased? Is it not the price of the raw or manufactured articles, which regulates the amount of the sum requisite for the purchase of them by the manufacturer or merchant? But does not the price depend upon the quantity of the circulating medium? Should it happen, that there were any considerable diminution of its quantity, would not the price of those articles soon fall? Would not the manufacturer and merchant, then require less money to make their respective purchases? Finally, is it not plain, that whatever may be the amount of the taxes, it is not the manufacturer and merchant; but rather the consumers of the articles which are furnished by the manufacturer and the merchant, that eventually pay them; unless, indeed, in such extraordinary cases as may in truth affect the capital of the one and the other; and which, if they be equally burthened with the rest of the members of the community, they ought not, and I trust would not repine at, or endeavour to avoid? Generally, whatever the amount of taxes may be, the manufacturer and merchant must at all times be allowed their reasonable profit. They will cease to expend their labour, and the profits of their capital, in the country where these are not secured to them. They will quit the land where they cannot reap the harvest they have sown. "Their own feet will carry them afar off to sojourn."

In regard, indeed, to "the various other classes of the community," we are left to ourselves to discover in what manner they also are thus highly benefitted by this increasing abundance here spoken of. We have considered sufficiently in what manner the interests of the farmer,

the labourer, and the mechanic, are affected by it; and may be well satisfied that no argument is thence to be drawn in its favour. It remains, however, to say something more of its effect upon the interests of those generally whose property consists of stock in the public funds, of mortgages and annuities, or money vested in any other securities which yield only a fixed income. The partial and oppressive operation of a perpetually augmenting currency upon all those, is but too plainly discernible to our understandings and our senses; it is demonstrable by strict calculation upon paper; it is exemplified amongst our acquaintance, and in our families. In permitting the unlimited issue of notes not payable in specie on demand--you not only preclude the holder of those notes from the benefit of his contract, whilst you absolve those who issue them from the liability to discharge their part of it; but you confiscate the property of a numerous class of individuals for the benefit of their debtors. Does it become a nation jealous of its honour, proud of its credit, and boasting faith to its engagements, thus to deal out injustice one to another? What maxim of prudence can sanction proceedings so highly injurious to the community at large? You would overwhelm, and annihilate, the public and the private creditor. You would urge him, by rendering his property here less available, and in time almost valueless, to seek an asylum elsewhere; thither to carry all his capital, not in the form of perishable paper, but of solid gold and silver,--there to establish it in security; and there, in person, fully to enjoy it. But you will prevent this justifiable act of self-defence--you will pass laws directly violating your own solemn engagements--you will alter the deno-

mination of the coin, or if you have not already done so, you will make that, which is intrinsically worth nothing, a legal satisfaction of the claims of the public and private creditor--you will legalize fraud. Who will then regard your fair promises--your solemn engagements? Who will advance loans for the maintenance of your fleets and armies? What will become of your 3 per cent consolidated, and 3 per cent reduced annuities; your navy, and your Exchequer bills; your paper and your parchment? Your credit will crumble into dust. Your adopted paper currency will not be received, but at a discount, except by those who may be compelled to receive it at its nominal amount. The discount upon it will become greater and greater, till it become valueless. Hordes of wretched creditors, with their dependant families, hungry and houseless, will be scattered about the country, and prowl about the towns, with good for nothing scraps of paper in their pockets; deprived of justice, and seeking for revenge. All the accumulated horrors of bankruptcy, ruin, plunder, and bloodshed, will mark your progress. Then shall it be said, "Who hath taken this counsel against Tyre, the crown-ing city; whose merchants are princes, whose traffickers are the honourable of the earth?"

Let us not, then, be dazzled by the false glare and splendour of the vast nominal pecuniary amount of our exports and our imports, our public credit, and our public revenue; magnified, as it, apparently is, by means of our paper currency. Let us not fondly imagine; let us not be foolishly beguiled into an opinion, that mere nominal value is necessarily real value--that sound is equivalent

to substance. But let us rather contemplate, and I trust we may with confidence and satisfaction, what have been the material, the solid, and intrinsic improvements, which have taken place in our agriculture and manufactures; the great increase which they have yielded, and the generally successful commerce in which we have been engaged throughout all quarters of the globe. These are our true subjects of consolation---notwithstanding the aspect of our affairs may, for a time, be clouded by the barbarous policy of a wide-extended despotism. But, at all events, let not our prosperity, nor our misfortunes, be made a ground for public iniquity and fraud, which must necessarily tend to the serious injury, if not the absolute ruin, of the state.

What, after all, shall we say of the results which Sir John Sinclair would deduce from his observations "on the general nature of coin or money, and the advantages of paper circulation," viz. "that an increase of labour or industry, a more extended commerce, and an increased revenue, require perpetual additions to the circulating medium of a country; *---that such additions

* "It is incredible," says Sir John Sinclair, in his final note referred to in this place, "how so plain a proposition can be controverted." "Will not 10,000 labourers require more wages," says he, "than 5000? or 1000 vessels more money to fit them out than 500 of the same size? or a revenue of 50 millions, a greater mass of circulating medium than one of only 20 millions?" But need the reader be reminded that our labourers are not usually fed and clothed with gold

"cannot possibly be obtained to the extent that may be necessary, but by means of a well-regulated paper circulation;---and that if such paper circulation is properly regulated, the periodical returns of commercial distresses will, in a great measure, be prevented, and the demands of the Exchequer, however great, will be paid without any material difficulty." What, I repeat, shall we say of these results?---Shall we admit, that the further

and silver, or with paper; that our vessels are not usually fitted out with one or the other, but with those things for which gold and silver, or paper, may be exchanged; and that the greater the mass of the circulating medium, the greater is the revenue required? He will surely see that, since the smaller the relative quantity, the greater is the relative value of the circulating medium---that if the quantity of the circulating medium remain stationary, whilst the quantity of goods which it is employed to circulate, is increased, the value of that medium will be proportionally increased; and hence that the same absolute quantity of money may serve to pay the wages of 10,000 men, as well as the wages of 500; that the money requisite for fitting out 1000 vessels, need amount to no more than is requisite for fitting out 500; and that a circulating medium requisite for the production of a revenue, in effect equivalent to 50 millions of the present day, need not be absolutely more than for the production of one in effect, equivalent to 20 millions in times which have passed.

In a former part of this examination, we were led to consider the facility which the present system of circulation afforded to the government, of obtaining advances from the Bank of England, upon the credit of Exchequer Bills.---Perhaps it was unnecessary to contend that an equal facility might exist, though the Bank were compelled to pay in specie.---For in truth it may be a questionable point, whether upon the whole any solid advantage arise to the nation in consequence of such facility or practice.

increase of the human species, or even the better, the more profitable application of its energies depends upon the increase of the precious metals; or of paper, or of whatsoever other substance the circulating medium may in this, or in any other country, at this, or at any other time, happen to consist;---that the passions and powers of men, and the natural order of things, are limited in the direct ratio of the amount of pounds sterling, of dollars, or of ducats, in paper, or in specie, for the time being, in circulation? Shall we admit the utter impossibility of procuring as much of the precious metals; but the possibility of procuring as much of paper money as may be necessary for the circulating medium; when "paper currency, strictly speaking, may be defined any security payable to bearer on demand,"*---thus implying its immediate convertibility into those precious metals which it is impossible to procure? Again, admitting the paper circulation to be properly regulated; therefore, at all times convertible into specie, and together with the remaining specie not materially exceeding the quantity which would be in circulation in case there were no paper money; shall we admit that the periodical returns of commercial distresses would be prevented, in any much greater measure, or the demands of the Exchequer paid with any much less material difficulty, than if specie itself were in circulation? Or lastly, and (perhaps more according to the general tenor of the doctrines which we have examined) admitting that to be a well-regulated paper currency, which may be augmented at the pleasure of corporations and individuals,

* P. 61, and P. 95.---supra.

but is not convertible into specie,--- which may, in a moment of alarm, be rendered, both absolutely and relatively, altogether valueless, or may be, and is, perpetually diminishing in value by means of its growing excess;---yet is at the same time to be considered as the measure of the value of things which are always truly valuable, and to be held in all cases exchangeable for them;---shall we admit, that commercial distresses can, in any measure, be prevented,---that the payment of the demands of the Exchequer can, in any measure, be facilitated,---(I mean not merely for a day, or a year; but in the long run, and for a series of years,)---by such a paper currency as this; pregnant as it is with monstrous confusion and mischief,---indicative, as it is, of real bankruptcy and ruin? Upon these points I will leave the reader himself, in some deep metaphysic mood, to determine.

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