To the Rt. Hon.ble the Earl of Lauderdale
From the Author

FARTHER OBSERVATIONS

ON

THE SUBJECT OF

THE

SUPPOSED DEPRECIATION

OF

OUR CURRENCY,

AND

THE CAUSES OF THE DIMINUTION IN THE VALUE OF MONEY.

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OBSERVATIONS, &c.

I. *On the Effect of the Operation of Banking in aiding commercial Credit; and how far the Extension of such aid has a Tendency to produce an Excess and Depreciation of Currency.*

THE aid which bankers can give to the commercial, or public credit of a country, is limited, 1st. By the amount of their own original capital. 2dly. By becoming the depositaries, and re-lending the spare capital of their customers. And, *lastly*, By the surplus of their notes, that can be employed in circulation beyond the deposits of gold and silver kept in their coffers for answering them.

It is evident that the two first do not depend on the operations of Banking. The capital must have

been produced from other sources, and would have existed, and might have been lent as from one individual to another, altogether independently of the operation of banking. It is only in the last method, therefore, that the system of banking can be truly considered as lending any real aid to the capital of a country. And, how far such aid can at any time, and in any country, be effectual, depends altogether on the following circumstances.

1st. The extent of the circulation of the country, and,

2dly, The state of public confidence in it.

The extent of the circulation is altogether dependent on the extent of the transactions carried on, or, on the quantity and prices of commodities sold and bought; and in place of the issues of the banker having any controul over these, the former must necessarily, and continually, adjust itself to the latter. On the extent of the transactions of the country, therefore, depends the quantity of circulating medium required.—And, on the state of public confidence, depends the proportion which the paper circulation may bear to that of real gold and silver.

It is evident, that the suspension of our cash-payments, accompanied and supported, as it has been, by encreasing public confidence, though it could of itself have had no effect whatever in encreasing the absolute quantity of circulating medium, must have greatly raised the proportion which the paper circulation bore to the deposits of specie; and, in this it must have extended proportionally the utility of the operation of banking. Seeing, that, by admitting of the exportation of our specie, it converted dormant into active and productive capital.

It is in this way, alone, that even under the present system of suspension, the operations of banking can give any real aid to the credit of the country, or contribute to the extension of its active capital, though,

in other respects, by facilitating the detail of business they are attended with incalculable advantages.

But it has been said, that, under our present system, the banks have it in their power to encrease indefinitely the paper circulation of the country so as to produce a depreciation of that currency through mere excess. And the ground upon which this conclusion rests, in so far as at all intelligible, seems to be this; that the prices of all commodities being dependent on the proportion of the supply to the demand, so must the value of bank notes.—And, of course, when plenty they must become cheaper, and when scarce dear. A doctrine which on examination will be found altogether untenible.

In the first place, bank notes are not themselves commodities, but obligations to make forthcoming real commodities, the gold and silver coins which they represent. And, in the second place, they are not subjects of purchase or sale, but are merely the subjects of loans, to be replaced at definite periods.

It is evident, that, the value of an obligation to make forthcoming any commodity, depends entirely upon two circumstances, viz. 1st, The certainty or uncertainty that the obligation will be fulfilled. And, 2dly, The value of the commodity represented. The multiplication of these obligations to an undue amount, may shake the public confidence with regard to the possibility of fulfilling them, and, in this way, they will at once sell at an open discount, when compared with the commodities which they represent; but so long as the confidence in their fulfilment remains unshaken, it is clear that their value must be wholly dependent on the last of the two circumstances above mentioned. Let, for example, the commodity represented by bank notes be supposed to be wheat, in place of gold or silver, could the increase of these notes to any amount ever have the slightest effect in lowering the price of wheat?

That any depreciation of our paper currency, arising from want of confidence, either does now exist, or ever has existed since the suspension of our cash payments, it is believed, no man will have the hardihood to affirm. How was it possible, indeed, that any such depreciation could take place, seeing that, during by far the greater part of that time, our paper money was actually convertible into specie at the will of the holder; for, although the Bank was not paying in specie, yet any person, holding bank notes, could have obtained a draft for the amount of them, payable in specie, on the opposite coast of the Continent whenever he pleased, by the mere purchase of a bill at the Exchange of London. All our bank notes, from the nature of their issues, represent real property, and the real property, which they do represent, will again be convertible into gold and silver, so soon as a sufficient freedom of commercial intercourse shall take place betwixt this and other countries.

Since the suspension of the use of specie at home, these nations may be considered as our cashiers to whom we consign our goods, and on whom we draw for what specie we may require. At present, our power of drawing on these countries is restrained, not from the want of goods on our part, but by their refusal to admit them. Nor, would even this interruption of intercourse have had any material effect on the state of the exchange with these countries, but from our having been laid under the necessity of drawing largely for the importation of corn in 1809 and 1810, and for the maintenance of our armies in Spain and Portugal.

In the second place, bank notes are never issued but on loan, to be repaid at short dates; and in that way, it is impossible that the operation of issuing them can have the effect, either of encreasing the total circulation of the country, or of depreciating the currency.

It has been said that the introduction of a paper money, not exchangeable for gold, must have had the same effect on the circulation of the country as the discovery of a gold mine—but this is altogether a mistake. If a mine had been discovered, from which gold and silver could have been procured at a less expence than that of their importation from South America, the immediate consequence would have been a fall in the price of bullion below the mint price; gold and silver would therefore have been carried to the mint by the individuals who possessed it, and carried away in the shape of coin, and thus the circulation would have been absolutely encreased, independently altogether of the operations of banking. All other commodities would immediately have risen in their nominal value, and this rise giving encouragement to importation, would have led to a depression of the exchange, and thus have opened a vent for the exportation of gold and silver bullion, till its value in this country should have been brought to the level, or nearly to the level of its value in other countries. But nothing of this kind could possibly happen, unless the gold and silver thus discovered, were the subject of purchase and sale; and, if merely the subject of loan, to be restored after answering the temporary purpose of acting as a medium of circulation, the discovery of such treasure, to any amount, never could have had the slightest effect in depreciating gold and silver, either in the shape of coin or bullion.

For the sake of illustration, let it be supposed that, since the year 1797, the Bank had become possessed of a store of guineas of a quantity unknown and inexhaustible, which they were to be at liberty to use in the way of their trade, under this condition, that not one of these guineas was to be absolutely sold or exported, but that they were only to be lent under the most express obligation of repayment; it

will be found that, even on this supposition, which bears the nearest analogy to the fact, no alteration could have been produced by these circumstances, either on the absolute quantity of the circulating medium in use, or on its value.

No dealer with the bank could get possession of any of this new gold, but under condition of repaying it in the course of two months, and advancing five per cent. interest for the use of it—What rational motive, therefore, could he have to draw more than the least possible quantity that his business required? It could be of no use in trade, other than as mere circulating medium, and therefore, there could not possibly be any demand for it beyond what that circulation would naturally absorb. If, by a fall in the exchange with foreign countries, arising from mercantile or political causes, there should arise a demand for gold and silver for exportation, the old specie of circulation would soon find its way abroad, and its place would be supplied by the new, the issues of which would thus be proportionably extended.—Any long continued depression of the exchange, consequent on a great or repeated failure of our corn crops, would be the most powerful means of effecting this, as was the case in this country in the years 1799, 1800, and 1801. But if no permanent cause of the depreciation of money existed, it is clear that although the circulation would thus be changed from the one kind of specie to the other, yet there would be no difference in its absolute quantity.

That the Bank's power of aiding or extending the capital of the country, is, even under the present system, limited by the quantity of its notes required for the real circulation, may be further made evident by putting the extreme case, that it were to lend its notes on securities at long dates, and to any unlimited amount required by the merchants or manufacturers;

let it even be supposed that while the bank had twenty millions out in circulation, and the channel of circulation was full, it was to declare that it required no repayment of its advances, either to the government or to the merchants, for two years to come; the consequence of this would be that the bank would be found to have virtually transferred its business of lending on discounts to the private bankers and merchants, but not a single note more would be found in circulation than if the bank had continued to manage its business in the usual way. It may be said that, after this the Bank might still go on to issue more notes on new bills or securities, so as to throw more notes into the money market than the circulation required, and that as they could not be returned upon the bank till the lapse of two years, they might bear a discount equal to the interest of the sum contained in them for that period. But this would instantly check itself; for what man would agree to advance to the bank the interest on these notes, unless he were sure of getting them disposed of at their full value? or if they were selling in the money market at a discount, would any man take them from the bank on other terms? Unless, therefore, the Bank itself were to sell them at a reduced value, it is evident they never could become depreciated.

Upon the whole, it may be concluded, that, unless bank notes become actually discredited, through a failure of confidence, they never can become depreciated, through excessive issue, below the value of the coins which they represent.

II. *On the question, How far an Excess of Paper currency, supposing it to have taken place, could affect the State of the Exchange with foreign Countries?*

LET it be supposed, for the sake of argument, that an excessive issue of paper has taken place in this country, and has been in some way or other, no matter how, absorbed into the circulation, so as to enhance the nominal prices of all commodities.

One of two things must necessarily happen, either this paper money will preserve its credit, depending upon the degree of public confidence attached to it, and maintain its value compared with the metallic coin of the country which it represents; or it will not. So long as it maintains its credit, it is evident that there can be only one par of exchange with foreign countries, and that that par will be the same, whether estimated in specie, or paper currency.

It has been said that, under such circumstances, the increased circulation of this country would lead to a depression of the real exchange with foreign countries, by creating an extraordinary demand for

the produce of these countries, and consequently encreasing our importations relatively to our exportations, which last the encreased nominal prices of commodities in this country would tend to diminish; the balance of payments would, of course, be turned against this country, and the exchange would fall.

But to this it is answered, that if, through an excessive circulation, the prices of all commodities were to be raised in this country, this does not imply any increase of consumption, or consequently of effectual demand; and unless there was an encreased real demand for foreign produce, it is not understood on what principle an encreased importation of it could take place: the certainty alone that it could be imported at a moderate price, would be sufficient to keep it down nearly to the level of that price, so that merchants could have no inducement to encrease their orders for it, seeing, if they were to overstock the market, they must either re-export it, or sell it at a certain loss.

The way in which such a supposed increase of circulation would act, would probably be this. By the encreased proportion of paper circulation, it would be found that a portion of the specie, formerly in use as the medium of circulation, might now (provided public confidence remained undiminished) be converted into active capital. This would give employment to encreased industry, and an increase both of national production and consumption, would be the consequence.

In the first instance, this superfluous stock of the precious metals, finding no sufficient demand at home to employ it, would probably be exchanged for articles of foreign growth; and until this conversion of it was fully effected, the exchange with the countries who bought it from us, might be depressed, so as to admit of the expence of its transportation. But when this was effected, the exchange would return

o its usual par, and the whole result would be, that we would now be found to have a circulation, bearing an encrease in its total amount, proportioned to the increase of national capital and industry, which had thus been effected; and in its component parts, consisting of a much larger proportion of paper than it had formerly done.

Let it next be considered, what would be the effect on the exchange, of a superabundant circulation of a discredited paper money, bearing a permanent discount below its nominal value, when compared with the current coin of the country. The first consequence would be, that there would now be two pars of exchange, one of them founded on a comparison betwixt our own and foreign coins of standard purity, and the other founded on a comparison betwixt the foreign coins and our discredited paper currency. Thus, supposing the paper to be discredited twenty per cent. below our coin, the exchange reckoned in paper would be uniformly, and precisely twenty per cent. below the exchange reckoned in specie, and this difference would take place, not only on the exchange with one particular country, or with the continent of Europe, but with all foreign countries where specie was the medium of circulation, not excepting our own East and West India colonies, and America. And this is the whole effect which such an excess of discredited paper currency would have in relation to the exchange.

The par betwixt this discredited currency and foreign coin has been called the nominal exchange. But whenever it takes place it is evident that it can never be confounded with the real exchange. And, it is equally clear, that it never can have the slightest influence in raising or depressing the real exchange. Unless it could have the effect of making the real exchange unfavourable, which it never can, it is impossible that it can have the slightest effect

in forcing the exportation of gold and silver; for, however low the nominal exchange may fall, it is by the real exchange alone that the exportation or importation of gold and silver are regulated. So long as the real exchange is favourable, let the nominal exchange be what it may, no gold or silver can be exported, for what man would be at the expence and risque of exporting a hundred pounds worth of gold and silver, so long as that identical gold and silver will purchase, at London, a bill for the very same quantity, deliverable free of risk and expence, at the place to which he wishes to send it?

From what has been said, it may be safely inferred, that the real exchange betwixt different countries is wholly dependent on the balance of payments, or competition of bills betwixt them, and cannot possibly be affected by any other means.

These principles will be found illustrated and confirmed by the actual experience of this country in its connection with foreign states for the last 18 years, a due attention to which will be sufficient to shew, that the present extraordinary depression of the exchange has arisen entirely from mercantile and political causes, and that any such thing as a discredited paper currency and consequent nominal par of exchange neither does now, nor has within that period existed in this country.

Before going into an examination of more recent facts, it will be proper to advert shortly to the state of the circulation of this country for some years prior to the year 1797, and to the circumstances which led to the suspension of the payment of specie in February that year.

During the years 1794, 1795 and 1796 various causes concurred at once to drain the country of its specie, and to give employment, and, of course, to furnish a demand, for an increased quantity of circulating medium. The principal causes of the drain

of specie were the great failure of crop 1795 and the remittance, in specie, of large subsidies to our continental allies, and supplies to our own army. And the demand for an encreased quantity of circulating medium was the necessary consequence, 1st, Of a general rise in the price of labour in winter 1795-6. 2dly, An increasing public revenue and public expenditure. And, *lastly*, A great increase of trade and manufactures.

During the years 1790, 1791, 1792, 1793 and 1794 the average amount of the Bank of England notes in circulation had been about 11 millions. In 1795 it had encreased to 12 or 14 millions. But from spring 1796, owing to the drain of gold from the banks, it was gradually reduced until February 1797, when it extended only to 8,640,250*l.*

There can be no doubt that this great reduction of the paper circulation must have been attended with the most distressing inconvenience to the community; and that this produced the necessity of resorting to the restriction act. To the plan of restriction was now joined a permission to issue notes under 5*l.*; and the effect of both was to give the complete relief required. At this time the exchange with the Continent, which had been unfavourable during the greater part of the year 1795 and beginning of the year 1796, had come round in favour of Britain. An encreased issue of notes gradually took place from the time of the restriction, in so much, that, by February 1798 the paper circulation of the Bank of England extended to nearly 13½ millions, and had encreased to about 14 millions in spring 1799.

According to the doctrine of the bullion committee, this great increase of currency ought to have been accompanied by an unfavourable exchange, if not also by an enhanced price of gold and silver bullion, but neither of these events took place; on

the contrary, the exchange rose progressively along with the extended issues, and, in January and February 1798 stood at the almost unprecedented height of 11 per cent. in favour of Britain. It continued nearly equally high during the whole of the year 1798 and till summer 1799 when it underwent a depression in consequence of the rising price and encreasing importations of corn. But, at this time, when the exchange turned, the amount of the bank's paper circulation stood at from 13 to 14 millions, being not higher than it had been on the average of the twelve preceeding months.

Neither had this encreased issue of bank notes the slightest effect in raising the prices of commodities, or in lowering the rate of interest. On the contrary, the price of wheat, which in February 1797, when the Bank's circulation amounted to less than 9 millions, was 56*s.* per quarter, had fallen in January 1798 to 51*s.* 2*d.* and in January 1799 was so low a s 48*s.* 9*d.* the quarter. And the three per cents. which in January 1797 stood at 55 per cent. had fallen in January 1798 to 48 per cent. and in January 1799 stood at 53 per cent.

So long as the large importations, consequent on the failures of crops 1799 and 1800 continued, so long was the exchange uniformly against this country; but, in the mean time, no material encrease of our paper circulation had taken place, the average circulation in the year 1800 being not more than 15 millions, and in 1801 and 1802 from 16 to 17 millions.

This increase, inconsiderable as it was, must have been easily accounted for by the void occasioned by the specie melted and exported during the low state of the exchange, and by a second rise in the wages of labour, which about this time took place, to which may be added a still encreasing commerce.

Towards the end of the year 1802, the exchange had nearly recovered, and in 1803 came to be above par, and continued almost uniformly favourable till summer 1808.

In all this period, however, the circulation had continued at its utmost former height, which clearly shews that there was no connection whatever betwixt the currency of the country and the state of the exchange.

In 1808 commenced our great importations from the Baltic, Holland and France, and our enlarged expenditure in Spain and Portugal, and from about the middle of that year the exchange again turned against Britain. At this time, (Autumn 1808) the Bank-circulation, including small notes, extended only to about 17½ millions, being about half a million above the average of the five preceeding years.—So that it is clear, that this trifling increase never could have had the slightest effect in producing the unfavourable balance on the exchange. From this time forward, the exchange, owing to the continued operation of the causes above mentioned, aggravated by the encreasing scarcityof corn, became more and more unfavourable to Britain; and, as this depressionhad now reached the point, far below what would defray the expence of trans porting specie, a great inducement was held out to the clandestine melting and exportation of our coin. The consequence was, that our coin rapidly disappeared from circulation, and left its place to be supplied by paper.

This necessarily gave rise to encreased issues by the Bank, insomuch, that in the course of the year 1809, the Bank's circulation was encreased to 19 millions, and in 1810, to 20 millions. This increase, however, was the consequence, and not the cause of the depressed state of the exchange, the low rate of the exchange forcing the exportation of the specie, and the Bank notes merely filling up the void.

The causes of this depression on the exchange have been latterly greatly aggravated by the severe prohibitory decrees against our commerce, issued and carried into effect by the present ruler of France. Our foreign expenditure has, in the mean time, been on the increase, and the necessity for providing for that expenditure by the export of colonial and manufactured goods to the Continent, has been so much greater. It is, almost exclusively, by such exportation that our expenditure on the Continent can be maintained. And, it is probable, that the ruler of France, aware of this, has resorted to the expedient of putting an absolute stop to these exports, for the very purpose of obstructing our means of making remittances for the support of our continental expenditure, so as in the end to induce us to withdraw our armies from the peninsula.

That this continued foreign expenditure on the Continent of Europe, accompanied by almost the total exclusion of our commerce from the continental ports, is fully sufficient to account for all the extraordinary depression of the exchange with the Continent that has actually taken place; no man, who gives the subject due consideration, can for a moment doubt.

It may be granted, that under ordinary circumstances, the exchange never could have undergone so great a depression as it has actually done; the exclusion of our commerce from the Continent would have been followed by the dereliction of the import of the produce of the Continent into this country; so that, while the countries on the Continent refused to take our goods, on the one hand, we would cease to contract any debt to them on the other. But, as the case stands, we have no choice: our armies and the cause of our allies must be maintained, and, of course, remitted for; we continue, therefore, to contract debt, while the ordinary

means of payment are more severely prohibited. The bills on this country are continually accumulating in the money markets of the Continent, while our power of drawing on the Continent has been reduced almost to nothing; and, in these circumstances, it follows as a necessary consequence that the bills drawn on this country must fall to a great discount.

These circumstances are certainly sufficient to account for whatever extraordinary discount, on the bills drawn on this country, or premium on drafts on the Continent, have actually taken place. And, that they are the only causes of these phenomena, is put beyond all doubt, by the fact of this extraordinary depression in the exchange, being confined to the scene of our continental expenditure, and, to the countries under the immediate influence of France.

If it had proceeded from a depreciation in the value of our currency, it is evident that this would have had an equal effect on the exchange with every quarter of the globe in which the precious metals are the foundation of their currency, not excepting our own colonies, where gold and silver, and not our Bank paper, are still the basis of their circulation. But what is the fact? It will be found on investigation, that while the exchange with the countries under the influence of France, has, since Summer 1808, fallen thirty per cent.; the exchange with America has remained uniformly at, or about par, and has occasionally born a premium in favour of Britain, on comparing our Bank paper with their hard Dollars. The same has been the case betwixt our paper, and the gold and silver of the West Indies, and the Brazils. And finally it is believed the same has been, and still continues to be the case, both with Sweden, and Russia.

Further, it is well known, that the exchange has fallen not less than 24 per cent. since June 1810; while it cannot be shown that any, far less a corresponding, encrease in our currency has taken place in that period.

Another necessary consequence of a depreciation of currency must have been, a general rise in the prices of all commodities in the home market, when rated in that depreciated currency. But so far from this having actually taken place, it will be found, that while, since June 1810, the exchange has fallen upwards of 20 per cent. our paper money, so far from falling in exchangeable value in the home market, has risen in its value, compared with property and commodities of every sort, to nearly an equal amount. And the interest of money, so far from having fallen, as it would do from a superabundant issue of currency, has risen very considerably.

With regard to the price of gold and silver, it is admitted on all hands, that the trade in bullion, and of course the demand for it, and its price in the different markets, are wholly dependent on the state of the exchange.

When the exchange turns so far against Britain, as to equal the risk and expence of the transmission of bullion, with a fair profit, it will infallibly be bought up in this country and exported. And if, by extraordinary causes, a farther fall in the exchange takes place, the price of bullion will continue progressively to rise as the exchange falls. This may be clearly demonstrated by facts.

The mint price of gold is 3*l.* 17*s.* 10½*d.*—From January 1797, till harvest 1799, the exchange with the continent of Europe was uniformly in favour of Britain, of course there could be no demand for bullion for exportation, so as to enhance its price. Accordingly, in all that time, the price of bullion fluctuated from 3*l.* 17*s.* 6*d.* to 3*l.* 17*s.* 10½*d.* but never

exceeded this last mentioned rate. No sooner did the exchange turn against us, however, than the price of bullion rose, and during the long depression of the exchange from Harvest 1799, till Harvest 1802, the price of gold fluctuated from 4*l.* to 4*l.* 6*s.* the ounce.

The exchange came round in the end of 1802, and beginning of 1803, but from that time till it fell again in Summer 1808, was never so much in our favour, as to equal the expence of the importation of bullion, now encreased by the war risk to about 7 per cent. The average difference on the exchange was from 3, to 5 per cent., but even with that advantage, bullion could not be imported, but with some loss; and these circumstances gave occasion to a small rise of $2\frac{3}{4}$ percent. on the price of bullion during these years, making its market price, 4*l.* in place of 3*l.* 17*s.* $10\frac{1}{2}$*d.*, its mint price; and at that rate of 4*l.* it continued steady, without the slightest fluctuation, so long as the exchange continued favourable; that is to say, till July, or August 1808. Since which time, a rise on the price of gold and silver has uniformly followed, and been nearly commensurate with the fall on the exchange.

It may further be proper to observe, that the principles before laid down, have been in a great degree admitted by one of the ablest writers on the opposite side of the question. I allude to the clear, and masterly discussion on this subject, contained in the 34th number of the Edinburgh Review (for February 1811).

In that article the writer evidently gives up the principal point on which the whole doctrine of the Bullion Committee, and their supporters, is founded; namely, the existence of a nominal exchange in the relations betwixt this and other countries; and admits, that the supposed redundancy of our cur-

rency, could have only acted on the exchange, indirectly, by its tendency to increase our imports, and diminish our exports, and so to turn the balance of payments against us.

Thus he observes, " Independently of the wearing " or the adulteration of the coin, the effects of " which are readily intelligible; there are, we con- " ceive, two causes perfectly distinct in their origin, " though nearly similar in their effects, by which the " exchange is affected. The first, and the most or- " dinary, is the varying demand for the different " sorts of produce arising from the varying desires " and necessities of the nations connected with each " other by commerce: The second is a comparative " redundancy, or deficiency of currency in whatever " way it may be occasioned.

" If, for instance, in consequence of the sudden " adoption of some foreign commodity into general " use, or the sudden deficiency of some commodity " of home growth, which must be supplied from a- " broad, the imports of a particular country, should " exceed its exports, the exchange might be turned " greatly against it; and it might be obliged to " make some of its payments in bullion, although " previous to the extraordinary imports occasion- " ed by these new desires, or new wants, both " its bullion, and its currency might have been pre- " cisely of the same value as those of the country " into which they were flowing.

" In this case, it is quite clear that the exportation " of bullion was the *effect of a balance of trade*, ori- " ginating in causes which may exist without any " relation whatever to redundancy, or deficiency of " currency.

" In other cases, a redundancy of currency is the " *exciting cause of the balance of trade* and pay- " ments, and of the exportation, or the importation " of bullion.

" An efflux, or influx of the precious metals, for " instance, originating in the first cause, could exist " but a very short time before it would produce a " comparative deficiency in one country, and redun- " dancy in the other; and by the convertibility of " bullion into coin, and coin into bullion, a propor- " tional change in the bullion value of their respec- " tive currencies.

" But the country with a diminishing quantity of " bullion, would evidently soon be limited in its " powers of paying with the precious metals; while, " at the same time it would be encouraged to sell " by the low bullion prices of its goods, and the fo- " reign demand for them, occasioned by the fall in " its bills. On the other hand, the country with an " encreasing quantity of bullion, would have its " power of purchasing with the precious metals en- " creased, and its encouragement to sell diminished, " by the advanced bullion price of its goods, and " the diminished foreign demand for them, occasion- " ed by the premium on its bills. This state of " things could not fail to have a speedy effect in " *changing the direction of the balance of pay-* " *ments,* and in restoring that equilibrium of the " precious metals which had been for a time disturb- " ed by the naturally unequal wants and necessities " of the countries which trade with each other.

" A similar effect would be produced upon the " imports and exports, by the discovery of a new " mine, or the increased issues of paper, as long as " such issues continued to throw coin out of circula- " tion. In these cases the redundancy, or deficien- " cy of currency is the *cause of an unfavourable, or* " *favourable balance of trade,* an unfavourable or " favourable course of the real exchanges, and the " consequent exportation, or importation of bul- " lion.

Again, in exposing the fallacy of Mr Ricardo's doctrine that the redundancy or deficiency of currency, is the sole cause of an unfavourable or favourable state of the exchange, the reviewer proceeds as follows:

" Now, we would ask what necessary connec- " tion there is between the wants of a nation, for " unusual importations of corn occasioned by bad " harvests, or its desire to transmit a large subsidy " to a foreign power occasioned by a treaty to that " effect, and the question of redundant or de- " ficient currencies? Surely, such wants or de- " sires might occur in one of two countries, " where immediately previous to their existence " the precious metals circulated as nearly as pos- " sible on a level. And the unwillingness of the " country to which the debt is owing, to receive " in payment a great quantity of goods, beyond " what it is in the habit of giving orders for and " consuming, stands much less in need of ex- " planation than that a bad harvest, or the ne- " cessity of paying a subsidy in one country, " should be immediately and invariably accom- " panied by an unusual demand for muslins, " hardware, and colonial produce in some other. " We know indeed, that such a demand will to " a certain degree exist, owing to the fall in the " bills on the debtor country, and the consequent " opportunity of purchasing its commodities at a " cheaper rate than usual. But if the debt for " the corn or the subsidy be considerable, and " require prompt payment, the bills on the deb- " tor country *will fall below the price of the tran-* " *sport of the precious metals.* A part of the debt " will be paid in these metals, and a part by the " encreased export of commodities. But as far " as it is paid by the transmission of bullion, this " transmission does not merely originate in re-

" dundancy of currency. It is not occasioned
" by its cheapness. It is not as Mr Ricardo en-
" deavours to persuade us, the *cause* of the un-
" favourable balance instead of the *effect*. It is
" not merely a salutary remedy for a redundant
" currency: But it is owing precisely to the
" cause mentioned by Mr Thornton, the un-
" willingness of the creditor nation, to receive a
" great additional quantity of goods not wanted
" for immediate consumption, without being
" bribed to it by excessive cheapness; and its
" willingness to receive bullion, the currency of
" the commercial world, without any such bribe.
" It is unquestionably true as stated by Mr Ri-
" cardo, that no nation will pay a debt in the
" precious metals, if it can do it cheaper by com-
" modities; but the prices of commodities are
" liable to great depressions from a glut in the
" market; whereas, the precious metals on ac-
" count of their having been constituted by the
" universal consent of society, the general me-
" dium of exchange and instrument of commerce,
" will pay a debt of the largest amount, at its
" nominal estimation according to the quantity
" of bullion, contained in the respective curren-
" cies of the countries in question. And, what-
" ever variations between the quantity of cur-
" rency and commodities, may be stated to take
" place subsequent to the commencement of
" these transactions, it cannot be for a moment
" doubted, that the cause of them is to be found
" in the wants and desires of one of the two na-
" tions, and not in any original redundancy or
" deficiency of currency in either of them".

From these and other passages in the article alluded to, it is quite clear, that the writer of it was himself fully satisfied that excess of currency can influence the real exchange, and force the ex-

portation of gold and silver, in no other way than by its tendency to produce an unfavourable balance of trade. And he distinctly, and explicitely admits, that a nominal exchange as far as it is merely nominal, can have no tendency either to affect the real exchange, or to cause an exportation or importation of bullion.

Now, as it must be admitted that the real exchange has been and still is greatly affected, and that in proportion to its extraordinary depression, there exists a corresponding temptation to the exportation of gold and silver; and as these effects never could have been produced by an exchange merely nominal, the only question comes to be, whether do these phenomena arise from an unfavourable balance on our transactions with the continent, produced by the expenditure for our armies in Spain and Portugal, or from a redundancy of our currency, giving too great an encouragement to importation, and diminishing exportation.

If it is alleged to proceed from the latter cause, (to say nothing of the want of sufficient proof of an actual increase in our circulation,) it may be asked, where is the evidence of such an increase in the price of foreign produce here, as to lead to an excessive importation of it? Is it not certain on the contrary, that the price of foreign produce for many months past, has been so low in this country as to subject the importers of it to great loss.?—And with regard to our own manufactured goods and colonial produce, where is the evidence that these have so risen in price as to discourage their exportation? Are they not on the contrary lower in price, now than they have been for many years back? And is not their exportation to the continent, prohibited by other causes totally unconnected with their price?

To the other causes of the present extraordinary depression of the exchange, may be added the suspension of the American trade with this country, and with the countries under the influence of France.

Had that trade been going on in its usual way, the bills on Britain, when they fell below par in the continental markets, would have been bought up for the American merchants, to meet the debts due from America to Britain.

But this, as well as the other causes of the depression of the exchange; namely, our continental expenditure, and Bonaparte's prohibitory decrees against our commerce, have surely no connection with our domestic currency; nor would the repeal of the restriction act, have the slightest tendency to remove these causes of the depression.

Under the present circumstances, indeed, it seems not improbable, that the exchange with the continent will undergo still further depression; but, under the extraordinary circumstances already mentioned, the bills on Britain might fall to fifty per cent. discount, without affording any proof of a depreciation in our domestic currency.

Upon the whole of this branch of the subject it may be concluded, that the present depression of the exchange is entirely owing to mercantile and political causes, of a temporary nature, and noways the consequence of an excess in our paper currency—That it results from a real unfavourable balance on our transactions with the Continent, and has no connection whatever with a nominal exchange.

III. *General View of our present money System, and of the Dangers to which the Country would be Exposed, by any sudden Change or Alteration of it.*

Our present domestic monetary system is wholly artificial, and its great defect consists in the want of any real permanent standard of value.

The quality which eminently fitted gold or silver to be the standards of value, independently of their being objects of desire from their utility and beauty, was their scarcity; and this again resulted from their sources of production being liable to little fluctuation in point of fertility, or variation in point of expence. By the suspension of the use of real gold and silver, as the medium of circulation, and the admission of a substitute for them, of abundant and easy supply, this quality was lost; and the substitute, though it might be a convenient medium of circulation, could not be a standard of value.

But gold or silver considered as standards of value, are merely the representatives of the expence, in provisions and labour, of their own production.—Thus, if a new mine were to be discovered, so near the surface as to be workable at one half of the expence of the present mines, and to contain an inexhaustible supply, it is evident that all the old mines would immediately cease to be wrought, and gold and silver would fall to one half of their former price. Provisions and labour, therefore, are the ultimate standards of value, and gold and silver, merely their representatives.

By abolishing these representative standards, which may be considered as the measure of the value of corn and labour, in the general market of the commercial world, no other standard remained to us in this country but the original standards, corn and labour, subject as they were to numerous causes of fluctuation, and thus as it were deprived of the fly wheel to equalize their motion.

Particular causes enhanced the value of corn in this country, and having now no other standard of value, the nominal value of it regulated the nominal value of every thing else. Had gold and silver been retained as the medium of circulation, the scarcity of them would have checked and counterbalanced the scarcity of corn, and no great or permanent rise in its nominal value could have taken place; more than what took place in former scarcities, such as that of 1782, and 1783, when the average price of wheat did not exceed 52s. 8d. the quarter.

Thus the alteration, which has taken place in the nominal value of property in this country, within the last 16 years, has been the result, on the one hand, of the encreased value of corn, arising from its scarcity; and of a plentiful and unlimited supply of an artificial circulating medium, on the other.

Its effect has been, to encrease the nominal amount of the revenue and expenditure of the country; and as the revenue has also been encreasing from real prosperity, it has become difficult to ascertain how much of the increase has been real, and how much only nominal.

Its effect on the rent of land, has been to raise it to an extent, and with a rapidity beyond all former example; and this flourishing state of our agriculture has re-acted as a stimulus to our manufacturing industry, and to our home, as well as our foreign trade of consumption.

These effects have been gradually produced, according as the circumstances tending to enhance the price of corn occurred.

The first great causes of the enhancement of the value of corn, were the scarcities of 1799, and 1800. But, these were only of a temporary nature, and their effects were nearly done away by the concurrence of peace and plenty, in the years 1802, and 1803.

The corn law of 1804, made permanent the enhancement of the price of corn, to the amount of 24 per cent.

The accidental interruptions to commerce, and the orders in council, and American embargo, have since operated to the very same effect, as a further rise in our importation prices; and, in place of 63s. per quarter, our importation price of wheat, loaded with high freights and insurance, has been for the last three years equal to about 100sh. per quarter. And in proportion as these causes have operated, the value of money has become diminished.

Such being the state of the case; it is evident, that although by a continuance of the present

system, great injustice must be done to many persons whose incomes depend on annuities or interest of money, yet the only real danger to the state consists in the chance that, by a train of unexpected circumstances, money should suddenly be brought back to its former, or nearly to its former, value. In that case, it would be found that no lease of land entered into on the footing of the encreased prices of corn could be implemented. The rent of land would fall; and as this is the great source of revenue and taxation, as well as the main spring of our whole national industry, the revenue and manufactures of the country would both decline.

The public expence, however, and particularly the pay of the army and navy, and of the civil servants of government, most of which have been raised under and adapted to the present system, could not be so easily contracted. Great public inconvenience and distress, would therefore be the consequence.

The only two ways in which such enhancement of the value of money can take place, are either, 1st. By corn becoming so plentiful in this country, as to exceed the consumption of it, and lead to its exportation, in which case the price here must necessarily fall below the level of its price in the countries to which it is exported, unless it shall be artificially kept up by means of an extravagant bounty; or 2dly, By any great limitation in the quantity of our circulating medium.

As to the first, there is not the slightest chance so long as our colonies, commerce, and manufactures remain to us, that ever our supply of corn in this country will exceed our consumption, more especially under a great war expenditure; its price therefore will always be subject to our own regulation by means of our importation laws.

The only inconvenience we are likely to suffer from this quarter, will be in the fall which must necessarily take place in the price of corn from its present price, to the price fixed by the importation law of 1804, so soon as, by a removal of the present restraints, on neutral commerce, corn can be imported at a moderate rate of freight aud insurance. That this fall must take place, if ever these restraints are removed, appears to be indisputable; and that it will be attended with unfavourable effects to the agriculture, revenue, and general industry of the country, is equally so: unless therefore our legislature can submit to have recourse to the expedient of again raising the importation prices of corn, it becomes its duty in the mean time, to keep the actual prices of corn as nearly to the level of the present importation prices as possible.

As to the second method by which the value of money may be enhanced, namely, by scarcity of circulating medium, this can be guarded against in no other way, than either by a continuance of the Bank restriction act, or by its repeal, in the event of that taking place, being so modified as to ensure a full supply of circulating medium, with such an assurance of public protection, that the Bank shall never be induced through fear for the safety of its establishment, to reduce its circulation below what the wants of the public may require.

Were the restriction act to be repealed without such qualification, or modification, the Banks would necessarily be obliged to restrict their circulation of paper, so as to make it bear relation to the quantity of specie they could command; and exhausted as the country now is of gold and silver, the quantity of paper which could be so circulated, would necessarily be small, and how

far high prices are consistent with a contracted circulation, it is not difficult to judge.

But even supposing that the restriction act should not be repealed, until, through the influence of a favourable exchange, gold and silver shall have become sufficiently abundant in this country, still it may be doubted, if even under such circumstances, the Banks would consider themselves in safety to carry their paper circulation to such an extent as would be necessary to maintain the present system of high prices.

It is evident that the higher the prices of commodities generally are, the cheaper necessarily must be gold and silver. We at all times require supplies of corn, wood, hemp, flax, wine, and various other commodities from the continent of Europe; and in exchange for these, we must either offer colonial produce, manufactured goods, or gold and silver. But if, through a general enhancement of prices here, our manufactured produce shall become dearer than they can be procured from other countries, and if the produce of other colonial territories can come in competition with our own, it may happen that gold and silver, as the cheapest commodities here, will be preferred by the nations on the continent from whom we draw our supplies. In that case, a drain of specie will again take place, and one of two consequences must ensue; namely, either the circulation will be reduced, and the nominal price of commodities will fall, or the restriction act must again be resorted to, to keep them up.

With regard to the prospect of our resuming our cash payments, the probability seems to be, that, with corn crops of moderate abundance, and with a certain degree of commercial intercourse, the exchange, from our monopoly of colonial produce and the superiority of our manufacturing skill and capital, will generally be in

our favour; and, when that comes to be the case, the restriction may be removed, without hazard either to the bank, or to the public—But so soon as, from an alteration of these circumstances, the exchange shall be turned materially against us, the restriction act must again be resorted to; And, in short, our payments will come to be alternately resumed and suspended, according as the exchange shall be for, or against us, which will thus become the regulator of our payments.

IV. *On the Resources of the Country, and how far they are adequate to a Continuance of our Present War Expenditure.*

In judging of this question, the following considerations enter into each side of the account.

On the one hand, for nearly the whole of the last eighteen years, we have actually supported this expence; while the real sources of our wealth, the agriculture, manufacturing industry, and commerce of Great Britain and her colonies, have gone on progressively encreasing. And, that our expenditure has not been beyond the means in our power, is completely proved by this, that our internal expenditure in canals, docks, roads, agricultural improvements, manufacturing machinery, and buildings, in place of being suspended during the period of the war, have been augmented to an extent far beyond whatever formerly took place in any equal period of the most profound peace.

But, on the other hand,

1. Our permanent debt has been more than doubled since the commencement of the war in the year 1793.

It is clear, however, that this increase of our debt bears no proportion to the increase that has taken place on the surplus annual produce of the industry and capital of the empire and its de-

pendencies. From this increase of debt, therefore, no serious inconvenience is to be apprehended.

2dly, The exchangeable value of money has fallen, at least, 70 per cent. or is diminished in its effective powers of purchase in the proportion of 170 to 100.

It is from this source that our means of encreased expenditure, both by the government and the industrious classes have, to a certain extent, been supplied.

Its immediate and first operation was to lighten the burden on the active capital of the country to the extent of 70 per cent. of the yearly interest of the whole moneyed capital of the kingdom; and which moneyed capital exists only, either in the shape of interest of money payable by one individual to another, or of the interest of national debt.

To this extent, the alteration in the value of money must have operated as an advantage to the industrious classes at the expence of the moneyed interest. And, in the hands of the industrious classes, it became the source of encreasing revenue to the government, by whom it has been drawn chiefly in a direct way in the shape of war taxes. It seems certain, however, that it has never yet been wholly drawn. Even, if the whole of the war taxes had been drawn from the industrious, classes and landed interest exclusively, these would not have exhausted the advantage they had thus gained.—But, a proportion of these taxes has been also drawn from the moneyed interest, so that the amount, drawn from the industrious classes, falls far short, indeed, of the advantage gained by them. Hence one great cause of the encreased activity and exertion of the industrious classes, and consequent real prosperity of the country.

An immense sum, formerly spent as revenue, has been converted into active capital, while the encreasing expenditure of government made up for the diminished powers of consumption of the moneyed interest.

3dly, By suspending the use of specie, an addition to the active capital of the country, has been acquired to the amount of, probably, not less than 25 millions since the year 1793; the profits of which cannot have added less to the surplus produce of the country than from two to three millions per annum.

Were the bank restriction act to be permanently and unconditionally repealed, any further advantages from the two last mentioned sources would most probably cease.

But such has been the rapid extension of the capital and industry of the country during the period of the restriction, that no person, acquainted with the internal situation of the country, can for a moment doubt that its real resources, independent altogether of any such advantages as those last mentioned, are much greater in proportion to its permanent yearly burdens than they were at the outset of the war in the year 1793.

The only real danger to be apprehended from any set of measures adapted to the restoration of money to its former exchangeable value, consists in the shock which they would necessarily give, first to our agriculture, and afterwards, to almost every other branch of national industry as well as to our public finances.

With due preparation, perhaps, this shock might be born even in time of war, but the experiment would be a very hazardous one; and,

after all the hazard was incurred, it would be found, that, the industry and real prosperity of the country, in place of being promoted, would be thrown greatly back by it.

The only classes of persons who might gain by it are those of annuitants and persons retired from trade living on the interest of money, many of whom, having accquired their annuities or moneyed capitals since the change in the value of money took place, would thus gain an undue advantage.—But, even the complaints of this class of people, under the present system, are not without a good answer. It is from the produce of the capital and industry of the country that their annuities and interests are paid; and, it is by the defence of the country that they are secured. It is the interest, therefore, of these classes that the industry of the country should be maintained productive, and the nation defended; and, though the expence lands chiefly on themselves, yet, this, to a certain extent, is, in the necessary course of things, and, it is surely better to give up a part, than to lose the whole.

But, though it is clear, that the unmortgaged resources of the kingdom are, at least, as great as they were in the year 1793; yet, to me, it seems to be no less certain, that, without the aid derived from the diminution in the value of money, the war taxes, and, *particularly the property tax, could not be paid.* A change in our money system must, therefore, be followed by a change in our system of finance; and, in place of raising a large portion of the supplies within the year, we would come again to depend, as formerly, wholly on the funding system; and, experience has already demonstrated how ill that system is calculated for the maintenance of a permanent war expenditure.

V. *Progress of the Alteration in the Value of Money, or Rise in the Nominal Value of Real Property, and Articles of Home Produce, occasioned by the Enhancement of the Money Price of Corn.*

The causes of the enhancement of the price of corn, have been stated to be,

1. The scarcity in 1795-1796, arising from the failure of crop 1795.

2. The scarcities in 1799, 1800, and 1801, consequent on the failure of crops 1799, and 1800.

3. The alteration of the corn laws, in 1804, and the partial failure of that year's crop.

4. The encreased difficulty and expence to which the importation of foreign corn has been subjected, in consequence of the British orders in council, in 1806, and 1807, and the interruption of the American trade.

5. An increased consumption, the joint effect of a great public expenditure, and an unexampled degree of commercial prosperity.

These causes, with the aid of an unlimited medium of circulation, have produced an enhancement of the money price of corn; and through it, of labour, and of all home-made commodities; or an alteration in the value of money altogether unforeseen, and unprecedented.

I propose here to state the progress of that alteration,

1. As it has affected the rent, and price of land.

2. As it has affected the price of ordinary country labour.

3. As it has affected the price of house property.

1. As to the rent of land.

Since the year 1794, the rent of land, in Scotland, even in the case of farms, then fully improved, according to the best system of husbandry, to which little in the way of practical improvement, has been since added, has been fully doubled.

This rise is to be chiefly ascribed to the increased price of the produce of land, and its progress has been nearly as follows,

In the course of the years 1795, and 1796, there took place a rise of from 40 to 50 per cent. No further rise took place from 1796, to 1799; but, in consequence of the high prices of 1799, 1800, and 1801, a further rise of from 20, to 30 per cent. took place in the course of these three years. The rent of land continued stationary, or rather in some degree fell, in the period from 1801, to 1804. The raising of the importation

prices of corn, in the year last mentioned, was barely sufficient to maintain the rise which had previously taken place, from the year 1794: but, since the year 1804, and chiefly within the three last years, the rent of land has undergone a further increase of about 30 per cent., making up the total increase of 100 per cent. since the year 1794; and the price of land has borne an increase founded on, and corresponding with, the rise on the rent.

This rise in the rent of land, is greater than what the rise on the price of its produce would seem to warrant; which may be accounted for, partly by progressive improvement in the art of cultivation, and partly by the circumstance of farmers having calculated on the increased price of corn, without sufficiently taking into account the increase of expence with which it must necessarily be followed.

2. As to the price of ordinary labour.

The price of ordinary labour rose in Scotland, in the course of the years 1795, and 1796, from seven shillings per week, to nine shillings, or 28½ per cent. And a similar, rise took place in England, as appears from the following passage, in one of Mr Burk's letters on the subject of the war with France, written in the year 1797, where alluding to the earnings of the common people, he says, "In the parish where I live, it (meaning the "price of labour) has been raised from seven to "nine shillings in the week, for the same labour-"er, performing the same task, and no greater."

The next rise in the price of labour took place during the years 1800 and 1801, when it was brought generally to about ten shillings per week, and latterly it has been raised, chiefly within the five last years, to twelve shillings per week,

which, compared with the price in 1794, is equal to an encrease of about 72 per cent.

The whole of this rise on country labour may not be so easily perceived in England, as in Scotland. In the latter country, the whole increase has been in the shape of wages, but in England, it has been partly disguised in the shape of Poors rates. Taking both these into the account however, it will be found, that they amount to the proportion above stated.

3. As to the value of house property.

The price of house property could only be increased through the medium of the increased price of labour: but it will be found, that it has uniformly been regulated by that standard, and by the increased difficulty, and expence of procuring foreign timber.

The first rise in the price of house property, was perceptible in the years 1798, or 1799, and might then be equal to 15, or 20 per cent. Since that period, and more particularly since the year 1804, the price of house property has been enhanced, at least 50 per cent. more, making in all a rise of 70 or 80 per cent on the prices of 1794.

The general rise of prices of all other articles of home growth, is sufficiently accounted for by the rise in the price of corn; for as stated by Dr Adam Smith, "the money price of corn regu-"lates that of all other home-made commodities". And again, "The money price of labour, and "of every thing that is the produce either of "land or labour, must necessarily either rise or "fall, in proportion to the money price of corn".

With regard to the produce of our own colonies, and articles of foreign growth, the prices of which have not been influenced by the same causes with the prices of the produce of this

country, it will be found in general, that, excepting in so far as affected by direct taxation, and by the encreased difficulty and expence of importation, or the enhanced rates of freight and insurance, the prices of all such articles, when brought to this country, are not in general considerably higher than they were prior to the year 1794; and with regard to our colonial produce are rather cheaper; a circumstance which, of itself, affords sufficient proof, if there were none other, to shew, that the increase in the prices of our home produce, has been owing to particular causes, and not either to a general fall in the value of money, over the commercial world, or to depreciation of our currency; for, if it had been owing to either of the two last mentioned causes, it must have affected our colonial equally with our native produce.

There can be no reason to doubt, that, without the aid of the Bank restriction, this progressive rise in the prices of our home produce, could not have taken place; or, if it had taken place, the encreased prices could not have been so long maintained; and, that in future, they cannot be supported without the permanent, or, at least, occasional, adoption of that measure.

Every great failure in our corn crops, necessarily occasions excessive importation, and a consequent depression in the exchange; and, while our currency is convertible into gold and silver, this will, necessarily and invariably, be followed by a scarcity of circulating medium, and consequent reduction of prices.

This scarcity of circulating medium, actually did take place after the large importations, and consequent depression of the exchange in 1795 and 1796. And, but for the Bank restriction, it would have again taken place in the years 1800 and 1801 to a still greater degree. It would probably have again taken place in the year 1805; and would certainly have taken place in the years 1809 and 1810; and, in regard to the future, there is every reason to expect that the same causes will continue to produce similar results.

In our intercourse with foreign countries, this alteration in the value of money, has been very little, if at all, felt. Our dealings with them are, necessarily, of the nature of barter, or the exchange of one set of commodities for another; and, the articles which we export, consist, only to a very small extent, of rude produce; being, chiefly, either manufactured goods, in which the encreased price of manual labour is much more than compensated, by the extension and improvement of skill, capital, and machinery; or colonial produce, of which the price has been very little raised. And, besides, the exclusive commercial advantages we have hitherto enjoyed, and still continue to enjoy, are such as to counterbalance all the disadvantages that result from any increase in the price of labour, that has hitherto taken place.

It has been very much the fashion among writers, on this question, of late, to ascribe the encreased prices of provisions to the effect of taxation.

But, though it must be admitted that the prices of many articles of convenience and luxury, are greatly enhanced by the taxes directly laid upon them; yet it is not easily understood how this can have any influence on other articles, not affected by direct taxation; how, for example, a

tax on wine should raise the price of bread or butcher's meat, or taxes on windows or carriages affect the price of ordinary labour.

Taxes on articles of mere convenience, and luxury, though they raise the prices of the articles on which they are laid, yet do not produce any general degradation of gold and silver, whereas, if they were laid on the necessaries of life, so as to enhance the prices of provisions and ordinary labour, they would infallibly produce such a degradation. If taxes on luxuries or conveniencies could produce a degradation of money, why did they not do so during the American war? yet, provisions and labour were, both of them, cheaper at the conclusion of it than at the commencement.

They no doubt rose after the termination of that war, but this was to be ascribed, chiefly, to the encreased consumption, produced by the encrease in the number of national annuitants during the war, and by the increase of our commercial and manufacturing population during the ensuing peace.

From the commencement of the war with France in 1793 to the year 1799, the national debt and taxes had been nearly doubled, and yet provisions were as cheap during the whole of the year 1798 and first quarter of 1799, as they were in the years 1793 and 1794.—The prices of provisions rapidly rose, indeed, from midsummer 1799, and continued high during the ensuing two years, but this was evidently the effect of the failure of crops 1799 and 1800, and not of taxation, of which there can be no better proof, than the fact, that provisions fell to their ordinary level in 1803 and

beginning of 1804, or so soon as plenty, with freedom of commercial intercourse, were restored.

It must be admitted, therefore, that there is no other way by which the value of gold and silver can be generally degraded, but either through the increased fertility of the mines, creating a real plenty of these metals, or by the artificial method of enhancing the money price of corn, the principal mean of man's subsistence.

The raising of the importation prices of corn, in the year 1804, was, in fact, an indirect tax on the necessaries of life and so it has operated. But, independently of that, and of the accidental and temporary circumstances which have since operated to increase that tax, there is nothing in the operation of the direct taxes, imposed since the year 1793, that must have necessarily raised the price of corn, nor of ordinary labour in any considerable degree.

Upon the whole, it may be concluded, that while the Bank restriction act has not *directly* contributed, either to the fall in the exchange with foreign countries, or, to that alteration in the value of money, which has taken place at home, but has contributed, more than any other measure that has ever been devised, to give scope to the private industry and public exertions of the country, the repeal of it must, necessarily, be accompanied by the abandonment of our present system of finance, and, by the absolute ruin of a large proportion of the farming and landed interest, while our manufacturing industry would suffer in

an almost equal degree, by the diminished consumption of the home market. It might, indeed, confer an unsafe and precarious advantage on the public creditor and private annuitant. But, in so far as their claims are well founded, it would be more for the interest of the community that they should be compensated in some other way.

THE END.

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