THE

THEORY OF MONEY,

&c. &c.

Davidson, Printer,
Old Boswell Court, London.

THE THEORY OF MONEY;

OR,

A PRACTICAL INQUIRY

INTO THE

Present State of the Circulating Medium:

WITH

CONSIDERATIONS

ON

THE BANK OF ENGLAND,

ON

Its original Charter and Constitution,

AND ON ITS

PRESENT MEASURES

AND THE

EFFECTS OF THOSE MEASURES

ON THE

CONDITION OF THE UNITED KINGDOM.

LONDON:

PRINTED FOR SAMUEL HIGHLEY, NO. 24, FLEET STREET.

1811.

ADVERTISEMENT.

ON the subject of the present Treatise, much has been ably written and eloquently delivered. Some points, however, have been too slightly discussed. A more accurate distinction should have been made between the terms Value *and* Price; *and between the Circulating Medium of the* Realm *or* State, *and that Circulating Medium which the inventions and contrivances of individuals have* substituted *or have been allowed to* substitute *for it. A fuller consideration of the Effects of the* Velocity of its Circulation *upon the* Value *of Money is still wanting. The* value *of the Circulating Medium, has been too much considered as depending upon its* quantity *merely; yet the value depending upon its* quantity, *is infinitely less than the value depending upon or arising out of the* Velocity of its Circulation.

This important subject seems also to have been too exclusively considered as it relates to mere matter of calculating Mercantile policy, of convenience or inconvenience to Trade and Commerce. But as one of the most ancient Prerogatives of the Crown is concerned, the Rights of the Sovereign surely demand serious and solemn consideration in such inquiries. To secure the full enjoyment of the Royal Prerogatives to the Sovereign, is essential to the maintenance of our free Constitution. One consequence of our present system with respect to Money *is,* virtually *and* in effect, *a suspension of the Royal Prerogative of Coining, which seems to be exercised, (whether by competent authority or not remains to be seen,) with the tacit consent of the Nation, by the Corporation of the Bank of England. Many sensible persons, who have not given a proper attention to this subject, seem to be of opinion, that, from the pressure of War and external Circumstances, Great Britain is actually unable to procure for herself, and to maintain within the Realm, such a quantity of Gold as would be necessary to re-establish the Royal Coins in her Circulating Medium. But if it be successfully shewn, as it is respectfully attempted to be shewn, in the following pages, that* one tenth or one twentieth part of the value of a single year's surplus or overflowing of the soil and industry of Great Britain, *would supply Gold* enough for all the Royal Coins which would be necessary to circulate, not merely the surplus or overflowings, but all the vast productions themselves of her soil and industry, and not for a single year, but at a trifling annual expense for centuries, the apprehensions of those sensible and respectable persons will be removed.

No Royal Coin can find place in the channels of Circulation, until there shall arise a demand for it in them; and there can be no demand for Royal Coin in the channels of Circulation of this Country, until some part of that Circulating Medium, with which they are now filled and are overflowing, be withdrawn. The manner of withdrawing even the overflowings of that Circulating Medium, is a consideration of the highest importance, which seems also, in the Treatises which have fallen under the observation of the Author, to have been too little considered. If the following pages shall contribute, in any degree, to place the important subject of which they attempt to treat in a clearer light, their Author will be amply repaid for the time and trouble he has bestowed upon them.

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CONSIDERATIONS

On the present State of the Circulating Medium of Great Britain, comprehending an Attempt to render more familiar the Theory of Money.

PART I.

Preliminary Observations.

INQUIRIES into the present state of the Circulating Medium of Great Britain, have been much confused and embarrassed by two considerations, of which it is of the utmost importance to obtain a right understanding. These are, first, *the Price of the Precious Metals*, and, secondly, what has been dignified with the title of *the Doctrine of Exchanges*.

One set of inquirers, assuming that the *Price* of gold and silver, *compared with the Circulating Medium of Great Britain*, is the *Value* of gold and silver, raise, upon that foundation, theories and systems, the truth or falsehood of which must depend upon the truth or falsehood of their assumption.

Their opponents have made much use of the Doctrine of Exchanges, but very seldom with sufficient precision to warrant the admission of their inferences, however true these inferences may sometimes be.

Let the possessor of a pound of gold* look into what is called a "Price Current" of to-day, and he will find he can exchange it in London for 14½ pounds of sterling silver, for 611 pounds of pure tin, or for 771 pounds of pure copper, and he can exchange all these reciprocally, each for the other, at pleasure; but the pound of gold is no more the *price* of each of those different quantities of other metals, than each of those different quantities of other metals is the *price* of the pound of gold, and of each other: being all the common price of one another, they are, severally, in exchange for the comforts and conveniences of life, of equal value to their possessor, each enabling him to procure an equal quantity of those comforts and conveniences.

In like manner, let the possessor of a pound of gold*, look into a table of what is called the "Course of Exchange" to-day, and he will find it will procure for him, a command over the Circulating Medium of Great Britain that is expressed by 54*l.* 12*s.* sterling, a command over that of Russia that is expressed by 1092 Rubles, over that of Sweden that is expressed by 437 Rix Dollars; these quantities of different Circulating Mediums being

*** This gold is calculated of the fineness of English sterling, that is, eleven parts gold and one part copper; but the word sterling is omitted in the text to avoid confusion with pounds sterling of the circulating medium.**

severally equal in value to the same thing, namely, to a pound of gold in London, must, therefore, be equal in value, *and in these proportions*, to one another.

A year ago a pound of gold would have procured for its possessor in London, over the Circulating Medium of England, a command expressed by 49*l.* 16*s.* over that of Russia expressed by 824 rubles, and over that of Sweden expressed by 266 rix dollars: these very different quantities of the same Circulating Mediums having been, severally, a year ago, equal in value to the same thing, namely, to a pound of gold in London, must, then, also have been equal in value, but in *these very different proportions* to one another.

	£. stg.	Rubles.	Doll.		lb. of Gold.
In 1810,	$49\frac{16}{20}$ =	824 =	266	were each equal in Value to	1
In 1811,	$54\frac{12}{20}$ =	1092 =	437	were each equal in Value to	1

But Circulating Mediums, which have altered their value, in a single year, *in such disproportions* to the same thing, must be, in their nature, variable or changeable, and cannot, therefore, *any of them*, be a *standard of* value to *that thing*, which is, in its nature, invariable and unchangeable.

A pound of gold was the same last year as it is to-day, and will be for ever. A Pound Sterling of the Circulating Medium, might, on the contrary until of late years, be altered by the King of England (as it has often been altered by her kings) and the Rix Dollar and the Ruble may be altered, by the Monarch of Sweden and by the Autocrat of all the Russias, at their pleasure or caprice. A Pound Sterling may be 20 pieces of silver to-day, and 20 pieces of the same silver, but of half their former weight to-morrow: it may be 4 Bank of England *tokens* to-day, and $3\frac{1}{4}$ or 3 of the same tokens to-morrow. It is sufficiently obvious, that under these changes a different number of *Pounds Sterling* must be given as the *Price* of a pound of gold; but does a pound of gold vary in *Value*, as its price varies, compared to a Circulating Medium of *such Pounds Sterling?* If to-morrow a law should be proclaimed that 20 sixpences should, then and thereafter, be a Pound Sterling, a pound of gold would to-morrow cost double the number of Pounds Sterling, that it costs to-day. But though the pound of gold would cost to-morrow, double the number of Pounds Sterling, it would command just the same quantity of the comforts and conveniences of life: its *value* would remain the same; but its price in Pounds Sterling would be doubled*. Whole volumes are nevertheless written on the gratuitous assumption, that the *value* of gold is its *price* in such pounds sterling.

The quantity of the Circulating Medium of Great Britain,

* Even the reference by the House of Commons to its Committee was to inquire into and report on "the high *Price* of Gold Bullion." The reference would perhaps, have been more properly expressed to inquire into and report on "the cause of the difference between the value of Gold in Bullion and Gold in Coin."

that must be paid for a pound of gold, at any given time, is no more the price of a pound of gold, than a pound of gold is the price of that quantity of Circulating Medium: they are each the *Price* of the other, and may be exchanged, each for the other, at the pleasure of the possessor. The difference between the *Value* of gold and the *Value* of the Circulating Medium of Great Britain, is the object of the present inquiry.

The *Doctrine of Exchanges* consists, not in the knowledge of the real value of gold, (which is much too abstruse for Doctors in that branch of learning) but in the knowledge of the different varying values of the Circulating Mediums of the nations of the Earth, with a view to exchange them, one for another, *with a profit.*

In this doctrine, Gold is used as a touchstone. Let it be ascertained, how much of the Circulating Medium of different nations must be given for an ounce, a pound, or any given quantity of pure gold; and their real and their comparative values will at once be discovered. The great attainment of knowledge in the Doctrine of Exchanges is of a *practical nature*, and consists in learning and practising the cheapest means of evading the laws which exist in all the nations of Europe, prohibiting the exportation of their coins, which can very often be sent from one country to another with great profit. There are circumstances indeed, which cause gold to circulate among the nations of the world, in a manner similar to the circulation of coins, among the individuals of a nation, but these will more properly be spoken of hereafter.

As the Circulating Medium of every nation in Europe is subject to, and actually labours under, more or less of disorder, it follows, that a comparison of their values is only a comparison of their different states of disorder. It is incumbent, therefore, on those, who from the state of Exchanges draw conclusions, with respect to the Circulating Medium of Great Britain, to shew, that the Circulating Mediums, with which they compare it, have themselves undergone either no change, or, if any, what is that change. Unless they do so, it is plain, that the change of comparative value *may* be owing to a change in the one Circulating Medium as much as to a change in the other: however the fact may be, it is necessary, before any conclusion can be admitted, that it should be stated, and, as far as possible,* proved; for the subject is of such vast importance that it must be treated *strictly.*

$16\frac{1}{4}$ Russian Rubles and $5\frac{1}{4}$ Swedish Rix Dollars, *a year ago*, exchanged for a Pound Sterling. 20 Russian Rubles and eight Swedish Rix Dollars exchange, *now*, for a Pound Sterling; yet nobody believes that Pounds Sterling have, *therefore*, in England *increased either one fourth, or as 2 to 3*, in value. Is it the Pound Sterling that has risen, or the Ruble and Dollar that have fallen? or is the

* This is attended to in the Report of the Bullion Committee.

change owing, partly to a rise in the Pound Sterling, and partly to a fall in the Ruble and Dollar? The truth is, that they have *all*, though not equally, *fallen in value*; for, *a year ago*, the 16½ Rubles, the 5⅓ Rix Dollars, and the Pound Sterling, being *all* severally the price of each other, were the price also of 116 grains of Gold; but *now*, the twenty Rubles, the eight Rix Dollars, and the Pound Sterling, which are still severally and respectively the price of each other, are the price of no more than 105 grains of Gold; though, therefore, they have fallen in very different proportions, they all *are* fallen in value compared to Gold. Hence it follows, (though a fall or rise in the value of the Circulating Medium of any one country, compared with that of a great number of other countries, affords a tolerably fair inference, that the change is attributable to a real rise or fall in the value of the Circulating Medium of that one country) that an inquiry into the state of the Circulating Medium in any country must be made upon some surer principle than such a comparison. In fact, it is obvious, that the healthy or unhealthy state of the Circulating Medium in any one country, does not depend upon, and has no necessary or natural connection with, its healthy or unhealthy state in any other country. It may and ought to be inquired into therefore, without the aid of any such comparison, which generally serves more to confuse and embarrass, than to clear up and disentangle the subject.

PART II.

Of the Value of the Precious Metals, and of the Diffusion of them among the Nations of the Earth.

The Precious Metals have great intrinsic value, but it is not necessary to the present inquiry to investigate what constitutes *that* value. Gold and Silver derive a great value from being the substances best fitted for, and universally used as, a measure of the value of other things; that is, for making coin or money.

There are two peculiar circumstances to be remembered in considering this value.

First. * Gold and silver being so precious, are so carefully preserved, that the Gold which formed part of the riches of Abraham, the Gold of which the Israelites, at the termination of their bondage, spoiled the Egyptians, and the Gold which was employed in the building of Solomon's temple, is probably in the world in some shape or other at this day. The accumulation of Gold during so many ages, has secured a supply of that metal for all the purposes of money, for innumerable ages to come, even if mankind should cease to ransack the bowels of the Earth in search of it.

* Gold will be mentioned singly, to prevent the repetition of the [illegible]

This vast accumulation is distributed among the Nations which compose the great family of the world, in various proportions, according to their several wants and necessities, or according to their several demands; and its parts flow from Nation to Nation, according to the changes of their fortunes and circumstances; but the great accumulated mass itself is ever in the world; the whole mass, indeed, often changing its owners as the generations of men pass away, and its parts and proportions often changing their geographical situation on the surface of the Earth, as one Nation rises, and another sinks or falls into decay. Under all these changes, however, the mass itself endures, from the unconquerable propensity of man to acquire and to preserve it.

Secondly. The *value* of Gold does not depend upon its quantity in any particular country, or in any particular place; but upon its quantity in the whole world; upon the greatness or smallness of the mass accumulated in the world.

The superabundance of many other commodities in any country, may have no effect on the comparative scarcity of similar commodities in any other country, but the superabundance of Gold in any country will have an immediate effect upon the comparative scarcity of Gold in every country of the known world. This peculiarity is owing to the very great value, compared to other commodities, which Gold comprehends in an exceedingly small compass. For example, 60 or 80 head of Cattle may be purchased in South America for *a single pound weight of gold*, which Cattle, if brought to England, would sell for between *twenty and thirty pounds weight of gold*; yet this prodigious difference in the value of cattle in South America and in England does not occasion their being sent from the one country to the other. A great ship would be necessary to transport 60 or 80 head of cattle from South America to England, the hire of which would alone cost much more than the 30 pounds of gold they might sell for, when arrived in England; but the pound of gold, the price of these 60 or 80 head of cattle, being in bulk little more than one cubical inch, may be conveyed from South America to England, by a merchant who happened to be performing that voyage, free of any expense. Cattle and Gold are both *always* of less value in South America than in England, because they are both in greater abundance there, *in proportion to other commodities*; yet the low value of Cattle in South America has no effect on the high value of Cattle in England, and in an inquiry concerning the value of Cattle in England, no notice need be taken of their value in South America. It is otherwise with respect to Gold. If a merchant in South America knows that 10 Ounces of Gold will purchase in London, and transport to South America, any thing that he can sell there for 11 Ounces, the gain of that Ounce will be a sufficient inducement to him to perform the operation. By means of it, his 10 Ounces of gold are changed into 11 Ounces, and if he repeat the operation, which he may easily do within the year, his 11 Ounces would again be changed into $12\frac{1}{10}$ Ounces. He would thus gain $2\frac{1}{10}$ Ounces of Gold upon 10 Ounces, which would be an increase of 21 Ounces in every 100; or 21 per cent. upon his capital in a single year.

If the gain of one ounce in 10 will send Gold from South America to England, and the commodity received in exchange for it back to South America again, (that is, farther than from one end of the world to the other,) a much less gain will occasion a similar removal of Gold from one country of Europe to another, because, between most of the countries of Europe, such an exchange might be performed, four, five or six times, or still oftener, in the year. If a merchant could gain one ounce of gold on 20, instead of one ounce on 10, and repeat the operation only four times in a year, his 20 ounces would become more than 24 ounces, and would yield a gain of more than 20 ounces on 100, or more than 20 per cent. on his capital in a single year: and, in point of fact, it has been lately ascertained that $5\frac{1}{4}$ per cent. difference in the value of Gold does *actually* cause it to flow from one country of Europe to another*.

A little reflection will shew, that a gain of $\frac{1}{10}$ or $\frac{1}{20}$ of their own value will not move other commodities like Gold. If a merchant in South America could send 100 head of Cattle to England, in exchange for other commodities, and repeat the operation twice in a year, gaining each time $\frac{1}{10}$ part more Cattle, he would gain in the year 21 head of Cattle of the value of 10*l*. or 12*l*. of our money, and, to set these Cattle in motion in a great ship, he would have to expend to the value of 100 pounds weight of gold to end in a gain of 10*l*. or 12*l*. of our money. But if he have 100 pounds weight of Gold, which it costs comparatively nothing to move, by exchanging such a quantity twice in a year, with a gain of $\frac{1}{10}$ of its own value each time, he would gain 21 pounds of Gold, more than 1146*l*. of our present money.

It is sufficiently obvious therefore, that gold, as it flows from one country of Europe to another, upon so small a difference as $\frac{1}{20}$ of its own value, and almost from one end of the world to the other, upon so small a difference as $\frac{1}{10}$ of its own value, must be diffused among the inhabitants of the world, in a much more even or equal manner, than any other commodity whatsoever: though in different nations, the same quantity of Gold will exchange for very different quantities of other similar commodities, which must depend, as well upon the abundance or scarcity of other commodities in those Nations, as upon the abundance or scarcity of Gold.

* Report of the Bullion Committee.

One of the effects of Commerce is to diffuse the productions of the various regions of the Earth, as well as the productions of the industry of man, more equally among the different nations which inhabit its surface, than is done by the great hand of Nature. By means of Commerce, the surplus of the productions of the soil and industry of one country, is exchanged for the surplus productions of the soil and industry of other countries. It is the province of Merchants to make this exchange and to effect this diffusion; and Gold, (which, though found in very few, is possessed by all civilized nations,) from the equality of its value over the whole world, serves them as a standard, to which to refer the value of all other commodities: for it must always be remembered, that a *great* difference of the value of similar commodities, *compared to Gold* in any two countries, cannot be owing to a difference in the value of Gold in these two countries, but to a difference in the value of the other commodities. Gold can be sent with a profit, from one country of Europe to another, when there exists a difference of value of $5\frac{1}{4}$ per cent., or from one end of the world to another, when there exists a difference of value of 10 per cent.; but a difference of value of 50, or 100, or 500 per cent., will not send some other commodities from one country to another in like manner.

Thus, a mass of pure Gold of the size of a common brick, such as is used in London for building, would at present be worth upwards 3750*l*., it would weigh 63 pounds, and might be conveyed from London to the Cape of Good Hope in an East India ship for 187*l*., or $\frac{1}{20}$ part of its value. Such a mass of Gold would purchase in England about 270 tons, or a ship load of Iron, which could not be conveyed from London to the Cape of Good Hope for less than 2000*l*., or more than half of its own value. It is sufficiently obvious, therefore, that the value of Iron at the Cape, (though it can never long exceed its value in England beyond the expense of sending it to the Cape with a profit,) and the value of Gold at the Cape, must always be in very different proportions from the value of Gold and Iron in London. Two hundred and seventy tons of Iron, which are equal in value to a mass of 63 pounds weight of gold in London, must, in order to leave a profit to a Merchant, exchange for a mass of 100 pounds weight of gold at the Cape. But it is not the gold which is so much cheaper, but the iron which is so much dearer at the Cape, because it must have performed a long and expensive voyage before it can be possessed there. The proportion of the value of Iron, at the Cape, to the value of iron in England, must then, to leave a profit to the Merchant, be as 100 to 63: the proportion of the value of Gold, at the Cape, to the value of Gold in England, can never vary long or much from the proportion of 100 to 105, and can never exceed 100 to 110: the proportional value of Gold in London and at the Cape, may be as 100 to 105, or 100 to 110, *and vice versa,* but the proportional value of Iron in London and at the Cape must always be 100 to 63 against the Cape, and can *never be vice versa.*

The difference of the value of the same commodities in different countries is owing, therefore, to the variety of the gifts with which Nature has endowed them. To some she has given flocks and herds, to others wines and oils, to others metals and minerals: but though, it may be said, that one country only is at present cursed by producing Gold, Nature has bountifully contrived that that metal, from its great convenience, shall be diffused over the world more evenly than any other of her productions.

By the adoption of Gold as a standard of value, an equilibrium is established between Gold and other commodities, which Merchants make it their business to maintain, and as its equipoise is continually disturbed by the great consumption of other commodities, while Gold hardly consumes at all, Merchants are enabled to gain a profit by restoring that equipoise. The Gold, to whose standard the value of other commodities is referred in different countries, is generally contained in their coin or money, which being variously corrupted and degraded in almost every country, Merchants are obliged, (for *they* never take the word of a sovereign for the weight or the fineness of money,) to have recourse to long and complicated calculations, to reduce this corrupted or degraded Gold to the standard of purity, and to calculate the number of pieces, and allow for their actual condition with respect to wear, &c. in every country with which they deal. In a knowledge of these calculations consists what is called the Doctrine of Exchanges, but with that Doctrine the present subject is not necessarily connected.

Gold itself is an article of merchandize, as well as Iron or Tin, or any other commodity; but the trade in Gold, as an article of merchandize, is confined either to the supply of each nation with the waste or consumption of its proportion of the great mass actually existing among the various nations of the Earth, or to the transmission of parts of that mass, from one nation to another, according to the changes of their circumstances, or to the alteration of their condition. The trade in Gold is not like the trade in articles which are quickly consumed and produced; it must be confined to dealings with an existing mass, which, though kept up to its present quantity, most probably does not increase, and has not increased, for nearly two Centuries.

The value of new supplies of Gold, is the expense of the labour of bringing the ore to the mouth of the mine from which it is extracted, of the quicksilver necessary for separating it from the

ore, and all the other expenses incurred by the miner, before it can be exhibited in a perfect or pure metallic shape. When the gold mines of South America were discovered, their very great fertility enabled, and still continues to enable, their proprietors, the kings of Spain and Portugal, to supply Europe with that metal at a price much less than the amount of the expenses of extracting it from the old mines. The gold mines of South America, therefore, have, since their discovery, almost entirely put a stop to the working of the old mines; and Europe is now supplied with gold, almost exclusively from South America. But, though South America *supplies* Europe with Gold, there can be no doubt that there exists, always, among the inhabitants even of England alone, many times the quantity of Gold which exists at any time among the inhabitants of South America. Should the present mines of that country, by the growing expense of working them, be unable to supply Gold at its present value, and no new mines be discovered, Gold might be sent, perhaps, from the accumulated mass in Europe, for the supply of the increasing inhabitants of South America, as wine, the produce of Portugal, is now sent, from the accumulated quantity in England, for the supply of the inhabitants of that country.

The wear or abrasion of coin, and of plate, of ornaments of gold, of lace and fringes of gold, what is consumed in the art of gilding, what is lost in the ocean, and what, in times of war and civil commotion is again committed to and continues hid in the bosom of the earth, form almost the whole actual waste or consumption of Gold in the world. If the supply of Gold, from all the mines of the world be equal, on an average, to this whole consumption or waste*, the accumulated mass would continue of the same quantity; but if that supply be more than the waste, the mass must be increasing, and if that supply be less than the waste, the mass must be decreasing.

If the mines of South America be considered as a fountain, from which the nations of Europe are supplied with gold, to maintain the mass accumulated among them since the flood; as the parts of that great mass are so easily set in motion, and transported at so little expense from country to country, and from one end of the world to the other; Gold may properly be said to flow and circulate among the nations of the world, as water would flow and circulate in open cisterns, of various surfaces, connected by tubes of different diameters with each other, and whose evaporation was continually supplied by one fountain, which communicated by tubes of different sizes with some one or more of these various cisterns.†

* Dr. Adam Smith supposes that Birmingham alone may consume the 120th part of the annual produce of the South American mines.

† This idea is taken from one of Mr. Gale's Essays on Public Credit.

This quality of Gold peculiarly distinguishes it from other commodities, and determines its value not to depend upon its quantity in any particular country, or in any particular place, but upon its quantity in the whole world; upon the greatness or smallness of the mass which exists accumulated and preserved by the whole human race.

It is a common opinion in Great Britain, that the precious metals have much decreased in their value compared to other commodities; but the grounds of that opinion, namely, what is called the great *decrease of the value of money in England*, may, on a little reflection be found, to be only a *great increase of the value of other commodities in that country*. The error of this opinion arises from comparing the value of Gold with the value of other commodities *in England*, instead of comparing its value with that of other commodities over the whole world.

Let it be for a moment supposed, that 60 millions of taxes were all at once abolished in Great Britain, and let any one deliberate on the great effect that such an abolition would have in reducing the price of all commodities compared to gold, and he may perhaps consider the value of gold in a new light, for such an abolition could have no effect on the value of gold: all other commodities indeed would be measured by a much less quantity of it, but it would be the commodities which would have become cheaper, and not Gold that would have become dearer.

There is indeed a decrease in the value of *money* in England, which gives a higher colour to the common mistake, that *Gold* is decreased in value, because a due distinction is not commonly made, or rather a wrong distinction is made, between the value of Gold and the value of Money; Money is considered as the measure of the *value of Gold*, instead of Gold being considered as the measure of the *value of Money*. But of the decrease of the value of money in England more will be said hereafter. The object of the present inquiry is not to ascertain the *value* of Gold, which is a very abstruse inquiry, and not necessary to be investigated farther, than to shew, that its value does not depend upon its quantity in any particular country or in any particular place, but upon its quantity in the whole world, which it is hoped has now been successfully shewn. An increase or decrease in the value of gold only occasions a less or a greater quantity of it to be necessary, for measuring the value of other commodities, which will always be regulated by the nature of things. The object of the present inquiry is "to investigate the policy of those
" measures, which have caused gold to disappear from the Cir-
" culating Medium of Great Britain; to consider what quantity
" of gold would probably again be necessary to restore it to its
" former healthy condition; to inquire into the wisdom of mea-
" sures that should draw back that quantity from the great accu-
" mulated mass in existence in the world; and to ascertain the
" means of continually maintaining, in her Circulating Medium,
" that quantity of Gold which is indispensible to its future
" maintenance, without the risk of depreciation in its value."

PART III.

Of the Balance of Trade, and of the supposed Effect of the Precious Metals being drawn from Foreign Nations by what is called a favorable Balance.

It has long been considered to be much for the advantage of all countries to possess great quantities of the precious metals. The exportation of them is therefore very much discouraged, and the importation very much encouraged, in most of the nations of Europe, by means of laws authorizing a free importation, and imposing duties and imposts on exportation. These laws are however almost entirely abortive. A Cube of Gold, a little more than five inches on the side, contains the value of 10,000*l.* Sterling; and masses of that size can be imported and exported at pleasure and in great numbers, from Country to Country, without the knowledge or consent of any Sovereign or of any power whatsoever.

Being unable, therefore, to get a direct account of their Exports and Imports of Gold, many Nations have recourse to an account shewing what is called the Balance of Trade, by way of approximating to the truth, concerning the increase or decrease of *their* portion of the great mass of Gold accumulated and maintained in the world; on the greatness of which proportion their wealth and prosperity, more especially of Commercial Nations, have been thought to depend.

It has long been the fashion, therefore, in England and in other countries, to take an account of all goods and merchandize exported, and a similar account of all goods and merchandize imported, and to set a Value upon them, which is usually estimated by a calculation of the officers of Customs. If, according to this account, a Nation sends out or *exports* to a greater Value than it receives back or *imports*, the difference is called the *Balance of Trade in its favour*, and is presumed to be received in Gold and Silver, which is not taken into the Account: and this proceeds on the presumption, that Merchants must be paid, and will take care to be paid, for what they export, in some shape or other. If our Merchants, therefore, (say the Balance of Trade reasoners,) have not received back the value of their Merchandize *exported*, in the Merchandize *imported* of which we have taken an account; they must have received the rest of the value back in that, of which *only* we have not taken an account, namely, in Gold and Silver.

It has been considered therefore of course, much for the interest of all Countries, on making up this account, that it should shew always a much greater Value of Merchandize to have been *exported*, than to have been *imported*.

According to the annual public account of Exports and Imports, as calculated by the officers of her Customs, Great Britain

from the year 1700 to the year 1800 exported more than she imported	339,848,882
And during the 10 years since 1800, at an average of eight Millions a year, she has exported more than imported	80,000,000
Making a Balance more exported than imported	£419,000,000

Allowing that the actual waste or wear of the mass of precious Metals in England *since* the year 1700, and the subsidies to Foreign Powers, (which may be considered as an addition to the waste,) *since* the year 1700, have been paid by the Gold received for the surplus Exports *before* the year 1700, this sum of FOUR HUNDRED AND NINETEEN MILLIONS ought, by the Balance of Trade reasoning, to be *now* in Great Britain in the shape of Gold and Silver!! That sum would be more than at the rate of 26*l.* worth of Gold or Silver to each of his Majesty's subjects, of all ages and sexes, from the King himself on his Throne to the meanest beggar in his dominions. It would, *even if in sterling Gold*, form a mass of the weight of almost eleven Millions of pounds, almost 5000 Tons Avoirdupoise: and, if in Silver, would, at the rate of sixty-two shillings to a Pound, form a mass of the weight of more than 135 Millions of Pounds Troy, of more than 73 thousand Tons Avoirdupoise of that Metal, more than enough to load a quarter of all the Ships of the Line of Battle of the British Navy, and perhaps is as much as the whole produce of the Mines of South America for the last century. This Statement will at once detect the fallacy of the Balance of Trade Calculation; for with this Balance, so much and so long *in our favour*, there perhaps never was a time, within the last 100 years, when Great Britain possessed less of the Precious Metals than at this present moment; for supposing the Plate, and ornaments of Gold and Silver to form the same mass, there is all the Coin which has disappeared less. What has become of the great quantity of Gold which has been, by the Balance of Trade account, *yearly* streaming in upon us, may be left to those, who build their calculations and systems upon that Balance, to explain.

The Custom-House calculations, in fact, exhibit a statement full of confusion and error: to trace in detail the particulars of which, would indeed be a useless and unprofitable task; enough may be stated to shew the fallacy of the system, without entering into too much detail. Fortunately for Britain, her prosperity and greatness depend neither upon the Balance of Trade, nor upon the quantity of Gold and Silver which may happen at any time

to form that portion of the Mass accumulated in the world which she may think proper to retain. Her wealth and her prosperity rest upon foundations more solid, and will always command for her Gold, Silver, or any other commodity, which may be necessary for the support of her independence, or for the maintenance of her power. As it is hereafter proposed to be considered, what quantity of the Precious Metals may be necessary for the remaking and maintenance of the Coins of her realm, it will then come, at the same time, to be considered, what exertion of her resources will be necessary to command that quantity of those Metals, and what will be the wisdom and policy of applying *that* quantity to *that* use.

The great fallacy, in the *Balance of Trade* doctrine, arises from an assumption that the profits of Foreign Trade are paid by Foreign Nations; but let the fact be examined. When an English Merchant buys from the inhabitants of England a quantity of the surplus productions of their soil or industry, and exports those productions to foreign parts, he receives from the inhabitants of those foreign parts, by the intervention of *their* Merchants, some of the surplus productions of *their* soil or industry in exchange. These he imports into England, and sells to her inhabitants, and receives more from them for these Imports than he gave them for the Exports; and the difference of what he receives for the Imports, and what he gave for the Exports (after deducting from that difference the expenses of the Freight, Insurance, &c. both of the Exports and of the Imports,) constitutes his profit. His profit is paid, not by the inhabitants of the Foreign Country, but by the inhabitants of England. The inhabitants of the Foreign Country have lost nothing by the exchange, otherwise they would not have made it; and *their* Custom-house accounts may be, and probably are, composed so as to shew a balance of trade, upon the same commodities, in what is called their favour. For example: When a merchant sits down to calculate a speculation, he reasons thus: If I send to Jamaica 10,000 yards of broad cloth, which I can buy in London and send to Jamaica for 10,000*l.* and if that cloth will sell in Jamaica for such a quantity of the money of that island as will buy 600 hogsheads of sugar, I will do it; for, if sugar keeps its price in England, these 600 hogsheads will sell for 12,000*l.** If he find, by the prices of Broad Cloth and Sugar in Jamaica, that he can do this, the operation is performed: the 10,000 yards of cloth go to Jamaica, and are entered at the Custom-House of London at 10,000*l.* *exported*: the 600 hogsheads of sugar come back, and having maintained their price, as the merchant expected, are entered at the Custom-House of London, at 12,000*l.* *imported*, and

* The calculation of Duty, Insurance, Freight, &c. is omitted to simplify the statement.

sold to the consumers for 12,000*l.* The Merchant gains 2000*l.*; but who has been his paymaster? Who but the inhabitants of Yorkshire who made the cloth, and the same inhabitants (perhaps the very same,) or their neighbours, in the counties of Lincoln or Norfolk, or Middlesex or Surrey, who consumed the Sugar? The Merchant in Kingston or Spanish Town, who sold the Sugar, gave less for it to the inhabitants of Jamaica than these Inhabitants paid him for the Broad Cloth. Who furnished his profit but the inhabitants of Jamaica? By the London Custom-House reckoning, here are 10,000*l.* gone from England, and 12,000*l.* come back. Two thousand pounds, to make up the difference, say the Balance of Trade reasoners, must have gone out in gold. If the Merchant had been disappointed in his speculation, and by the fall of the price, the sugar had been worth only 8000*l.*, when it arrived in England, he would have lost 2000*l.* The London Custom-House reckoning would *then* stand, 10,000*l.* gone out from England and only 8000*l.* come back; 2000*l.* to make up the difference, say the Balance of Trade reasoners, *must* have come in in Gold. The poor Merchant who made this unlucky speculation, would doubtless be much obliged to those Theorists, to convince him of this fact, and where the *Gold* which has come in, on account of *his speculation*, is to be found. The 2000*l.* worth of Gold that went out in the one case, and the 2000*l.* that came in in the other, had evidently no other but this theoretical existence; the whole calculation is a delusion that has too long misguided nations and statesmen.

The inhabitants of the Foreign Country no more contribute to the English Merchant's profit, than the inhabitants of England contribute to the Foreign Merchant's profit. In that respect the two countries are on a footing: the profit of the English Merchant and of the Foreign Merchant are, therefore, each virtually derived from the inhabitants of his own Country. If any Nation be carrying on a gaining trade, therefore, upon a true account of the Value of the Exports, estimated at *their first cost paid for them by the Merchants*, and a true account of the Imports* *estimated at the price at which they sell to the consumers*, the Value of the Imports must very much exceed the Value of the Exports. The Value of the Imports, *estimated at the price at which they sell to the consumer**, must exceed the Value of the Exports, not only by the profit of the Merchant, but also by all the expenses of the exportation of the Exports and of the importation of the Imports, by the Freight, Insurance, and all charges out, and the Freight, Insurance, and all charges home†.

* This means always exclusive of duties to the Sovereign.

† Any consideration of the Laws relating to "the Carriage by Sea," is foreign to the present inquiry, but is a consideration of vital importance to Great Britain. The Law of her famous Navigation Act had placed it under the happiest regulation for *her*.

Upon a true account of the Value of Exports and Imports stated respectively *at these values*, it would be much more satisfactory, therefore, to see what, *by the Balance of Trade* doctrine, is called a Balance *against* us, than a Balance, by that doctrine, in *our favour*. It would be easy to account for the greater value of Imports, by the great sums of premium paid to our Insurers, of freight paid to our Ship-owners, and of charges paid to the industrious population otherwise employed in the conveyance, and in the care and custody of the Merchandize *in transitu*: but it would not be easy to see any reason, why the excess of value of our Imports, which is paid by the consumers of them to the Merchants, and by them retained for profit, or paid to the British Insurer, Ship-owner, &c. should be called a *balance of Trade against us?* Why it should be supposed that this excess of the value of the Imports (estimated at their price to the consumer) must be paid in Gold and Silver to *Foreign Nations?* Even if Foreign Nations should be so kind as to suffer England, for a few years together, to import *from* them a greater value than she exported *to* them, that is to say, in other words, to give England a great credit in their commodities, there is no reason to suppose, that the difference would be paid in Gold and Silver: for if England maintained no more Gold and Silver in Coin than was necessary for the circulation of her own other commodities among her own Inhabitants, as her coin could not be spared, unless her Nobility and Gentry consented to the melting of their plate, Gold and Silver could not be exported for the payment of these generous Foreigners; and they must be contented to wait until England could pay this Balance against her by degrees, in the surplus productions of her soil, and the industry of her inhabitants, in future years; in the same manner as Foreign Nations *now* cause England to wait for payment of the debt, arising from the credit that her Merchants give those Nations.

It may therefore, at first, by many be suspected, that, the Balance of Trade Doctrine being once established, the Valuation of Exports and Imports has been made by the Officers of the British Customs, with a view to accommodate the result of their calculation to the popular fancy. What plan they might have adopted to procure such a result from their accounts, would no doubt easily have been detected on a minute examination: the real state of what is called the Balance of Trade, will be attempted to be explained hereafter. Be it as it may, what the Balance of Trade Doctrine would call a *Balance against England*, would no more be paid by her in Gold and Silver to Foreign Nations, than England is now *so* paid by Foreign Nations, the Balance, as it is called, *in her favour*, annually and triumphantly exhibited; for until the supporters of the doctrine of that *Balance in favour* shall explain, what has become of the 419 millions worth of Gold, (which, by the way, is perhaps the value of all the Gold and Silver in the World,) which has streamed into England in the last hundred and ten years, it is fair to assume, that such payment has never been made, and that their Doctrine is founded in great fallacy and error.

The Balance of Trade reasoning, admitting the Custom-House statement of the Value of the Exports and Imports to be a true and proper statement, assumes two things: *First,* That the Balance of the Value of the Exports beyond that of the Imports is paid *by Foreign Nations;* and, *secondly,* that it is paid in the Precious Metals.

There are but two ways of conducting Foreign Trade. Either an English Merchant makes a *speculation* to foreign parts, or a Foreign Merchant *give orders* for Merchandize to be sent to foreign parts from England. In the first case the English Merchant takes his chance of repayment, and in the second case he is paid by the Foreign Merchant with a profit, and without any other risk than that of the solvency or stability of the Foreign Merchant; in which last case it is quite plain, that the Value of the Imports into England must exceed the Value of the Exports from it by *at least* the amount of the English Merchant's profit. In the first case, the English Merchant directs what goods or merchandize shall be sent to him by the Foreigner, on the judicious choice of which depends his profit; in the second case, the Foreign Merchant sends what goods he pleases, which the English Merchant sells, and continues placing the nett proceeds to the Foreigner's credit in account, till he has repaid the price and profit charged to him for the amount of his order.

In the one case, the English Merchant will not order to be sent, and in the other case the Foreign Merchant will not send, any sort of goods, but what are likely to sell to a profit in England*; but, if a Balance of Trade, *in favour* (as it is called) *of England,* has been running on for nine or ten years, amounting only to *fifty or sixty millions,* and if that Balance has been paid in Gold, Gold must sell to loss in England; for *five* or *ten millions* worth of Gold, in addition to the ordinary stock, would cause every channel where it is used or consumed to be full and running over. If England, therefore, has *exported* annually, for upwards of 100 years, more than she has *imported,* as according to the Balance of Trade reasoning it would appear, how can she have been paid? There are limits to her capacity of consuming Gold, which a single year's *Balance in favour,* if paid, would supply for perhaps

* Though the Foreign Merchant may get a profit on the goods which he sends to England for sale, that profit is not got at the expense of the English people or Merchants, for it must be remembered, the Foreign Merchant was charged with a profit by the English Merchant, when the order was executed.

a quarter of a century. If nearly four millions* worth of Gold, therefore, on an average of the last 110 years, has been yearly streaming into England, somehow or other *unknown* to the believers in the Balance of Trade Doctrine, (unless they can shew in what part of England those millions worth of Gold is now to be found) it must have, somehow or other, *unknown* to them, have streamed *out again.* But if that be admitted, then it is the same as if it never had streamed in at all, and the question recurs again, how has this great *Balance in favour,* or Balance annually falling due, these Exports more than Imports of nearly four millions a-year, for more than a century, been paid for?

The fact, with respect to these two assumptions of the Balance of Trade Doctrine is, *First,* that the Exports more than the Imports, as exhibited by the Custom-House Accounts, are not *paid for by Foreign Nations,* as will be shewn more fully hereafter; and, *Secondly,* that, as they are not so paid for at all, they are therefore, not so paid for in Gold or Silver.

To give another example of the fallacy of the Custom-House Accounts, as pretending to shew by *their* results the Balance of Trade *with Foreign Nations,* let it be considered, that perhaps about 150 Ships are engaged in the Greenland and South Sea Fisheries, annually *importing* a large quantity of Oil, set down in the annual Custom-House Accounts, at the Value of, perhaps, a million or a million and a half of Imports: all the Oil and Fish coming direct from Newfoundland, and all the Merchandise brought into England in payment for Oil and Fish carried first from Newfoundland to foreign parts, are set down at the Custom-House as *Imports,* and may be of the Value of another million; yet no other Export but that of the skill and courage of her daring and adventurous seamen is made from Great Britain for these riches. The profit or loss of the Fisheries depends on their success. The difference between the value of what is caught on the one side, and the value of the tear and wear of the Ships, of the provisions and wages of the crew, and all charges, on the other side, is the profit or loss of these undertakings. None of these last values have any place in the Custom-House Account of *Exports;* the riches in return, however, are all set down as *Imports,* and, according to the Balance of Trade reasoning, must be paid for by Great Britain in Gold, since by the Custom-House Accounts two or *three millions* worth is imported and nothing exported.* Who pays the profit to Merchants engaged in these Fisheries, and other fellow countrymen, whose comforts and convenience [illegible] by the light and the use which the oil affords them? Is the value of these Imports ever paid for, as the Balance of Trade Doctrine would have it, to *Foreign Nations?* or do the [illegible] more

* The words "Pounds Sterling" [illegible]

than the *Exports* in that branch of Trade constitute a Balance of Trade *against England?* Instances might be multiplied, to shew the fallacy of that Doctrine and the fallacy of the accounts out of which it arises, but those which have already been given may suffice. Unless the Merchants of Great Britain sell their Imports to her inhabitants for a higher price than they give to those inhabitants for their exports; higher, not only by the Freight, Insurance, and all the charges which they have to pay, but also by a profit to themselves, they would be carrying on a trade which must soon end in ruin and bankruptcy. The Imports *consumed by the inhabitants of Great Britain*, and for which there must necessarily have gone out a proportional value of Exports, form almost the whole of her trade; for the round-about Foreign Trade of Consumption is, from the political situation of the World, now so trifling as to be unworthy of any notice, and indeed it is always the most unprofitable trade to the Nation, however much it may benefit a few individual Merchants.

The comparative Wealth of Nations has well been defined to consist, "In the greatest number of free Inhabitants over the "smallest quantity of Territory enjoying the greatest quantity "of the comforts and conveniences of life." In the possession of these united advantages, Great Britain stands pre-eminent. The great riches of Britain are derived from the trade carried on within and around her Islands, for the supply of necessaries, comforts, and conveniences to sixteen millions of people. If the Wastes of Scotland and Ireland, or even of England, were supposed, by some magic power, to become on a sudden cultivated and peopled with as numerous a race as the rest of those countries, but as yet destitute of Mines and Manufactories; all that quantity of the productions of our Mines and of our Manufactories which is now exported, being the quantity more than is wanted for the use of the *present* number of inhabitants, would be consumed by these *new* inhabitants, instead of being exported to foreign countries, until these new inhabitants grew rich enough to have Manufactories, and until they should discover Mines in those neglected districts. If these wastes were peopled as they might be, the true riches of Britain, the number of her free and industrious population, would probably be doubled within her present territory, and her power of defence against a foreign enemy encreased perhaps *tenfold*. How much more important must be that trade, which ministers to the comforts and conveniences, and to the luxuries of her sixteen millions of people, than that trade which merely finds a vent for the surplus or overflowings of those comforts, conveniences, and luxuries? Does not her wisest policy consist then, in promoting the *home* rather than the *foreign* trade of consumption? If the Tradesmen and Manufacturers of Great Britain have, during several generations,

supplied the wants of the population of what is now called the United States of America, how much more for her advantage would it have been if that population had been nursed on her own wastes, rather than on the wastes of Virginia or *New* England? She would not then have had to feel, "how sharper than "a serpent's tooth it is to have a thankless child."

That trade upon and beyond the Seas, in the present condition of the world, is necessary to the maintenance of the power and prosperity of England, is surely not now a matter to be questioned: but the great necessity for that Trade arises, not from a view to profit or gain, or to continue in delusive dreams about the Balance of Trade, but to support the great arm of her power, her Navy, at once her pride, her glory, and her defence.

If the value of the Exports to, and of the Imports *consumed in Great Britain* from, her own possessions in North and South America, and in the East and West Indies, which may properly be called Foreign Trades under her own command, be deducted from the whole amount of her Exports and Imports, what remains might, by the Custom-House Accounts, on an average of the last twenty years, make an *added* amount of Exports and Imports of 20 or 25 millions; this is more strictly a *Foreign Trade*. The annual expenditure of Great Britain, during that period, may average 40 or 50 millions; that is, an expenditure of *double* the gross *added* Value of all those Exports and Imports. Surely, therefore, however convenient that trade may by some be considered, the *power* or the *revenue* of Great Britain is neither derived from, nor supported by, nor dependent upon, *that* Foreign Trade. If she annually expend *double* the *gross added Value* of all the Exports and Imports of what is thus limited to be her *Foreign Trade*, what proportion must that expenditure bear to the profit of 15 or even 20 per cent. which merchants may gain upon that gross Value? What proportion of that expenditure can be defrayed out of the Taxes upon that profit? Let any one reflect, (especially those who have been accustomed to think, as many sensible persons do, that the very existence of Britain depends upon her *revenue derived from* Foreign Trade) that for many years, her annual public expenditure has often been equal to, and sometimes has exceeded the gross *added* Value *of all her Exports to, and all her Imports from all parts beyond seas whatsoever*; and he will immediately be convinced, that however much Foreign Trade may be thought to be necessary to the maintenance of her Navy, at least that her revenue cannot be principally derived from it. If her revenue be equal to the gross added Value of all the *things themselves* exported and imported, how little of it can be derived from Taxes on the profits of Merchants, who merely manage those Exports and Imports. Foreign Trade offers the most convenient channels for gathering Taxes in, because as it must all issue from and flow into certain Sea Ports, large enough to contain Ships, Taxes upon the objects of it can more easily be collected at those Sea Ports, than Taxes can be collected upon any of the objects of Home Trade, which are diffused over the whole Country, and never collected into channels and vents like the objects of Foreign Trade. The objects of Foreign Trade are, therefore, generally preferred by Financiers, as most convenient for the levying of Taxes upon; and the great importance Foreign Trade derives from being the immediate instrument of revenue, is what has raised it to such high estimation in Commercial States. The consumers, the inhabitants, however, are the contributors of those Taxes, and not the Merchants who merely pay them into the public chests, and again collect them from the people; though, by the outcry and clamour often raised, when it is conceived to be for the interest of the Nation to alter or shut up one or more of the Channels of Foreign Trade, one would be almost induced to believe, that Merchants themselves were the contributors, as well as the collectors and payers of those Taxes.

All Taxes are necessarily collected in money, but are, in fact, only contrivances for collecting, and concentrating, and giving direction, to different quantities of the Power of a State according to its wants and necessities. The Farmer does not pay Taxes in Corn, nor the Shoemaker in Shoes, nor the Physician in attendance, but all pay in Money, with which whatever is wanted is procured; and no doubt, there does exist, in Nature, a principle upon which every member of a State might be made to contribute according to his interest in it and his means; but whether that secret will ever be discovered, must be left to Financiers, whose business it is to approximate to it as nearly as they can, to determine. The Land, the Labour, and the accumulated Stock of the Nation, contribute *all Taxes*. The Merchant, as a capitalist and as a labourer, contributes his Share; but how far this great and powerful Nation depends upon the contribution of that class of labourers, especially such as would come under the above limitation, *strictly* under the description of Foreign Merchants, may appear to some to have been much overrated. These, however, are considerations for the Statesman; and an apology is due from the humble inquirer into the economy of Money, for touching on subjects of so much higher importance.

There is a Balance of Trade against England, which is occasioned by such Exportations as have, for the last few years, been made *to* South America, and used often formerly to be made to North America, for which no Importations ever return, to the ruin and Bankruptcy of her Merchants. Yet by the Balance of Trade, reasoning on the Custom-House Accounts, without inquiring into the fact, as the Exportations went out, and as no Importations came in in *Goods*, the returns must have been

made in Gold and Silver! Happy would these unfortunates be if the practice of this Theory could be, or could have been proved to them. The vast capital possessed by Great Britain, enables her Merchants to wanton in Exportations to Foreign parts in the hope of profit, but their speculations often end only in loss. That great capital too enables her Merchants to give large credits to Foreign Countries, upon which they rise in time, to be her rivals in Trade. The debts due for those credits are often finally confiscated on the breaking out of Wars, and utterly lost to the Merchants of Great Britain. The confiscation and robbery committed in this way by the United States of America, will serve for an ample proof of this truth. These often occasion two other great Balances of Trade against England.

The Doctrine of the Balance of Trade arises from a notion, that it is advantageous for a Nation to possess a *great* quantity of Gold: but surely it cannot be advantageous to maintain more Gold than there is occasion for, as the wear and waste must be all loss, and it will hardly be proposed at this day to lock up Gold in the chests of a Treasury. Gold, before it can be *exported* from England, since it is not indigenous there, must first be *imported*, and before it can be imported, a value in the surplus of her produce or manufactures must be given for it; why, therefore, is not the Export of Gold, as profitable as the Export of any other commodity? Why if any of the Nations of Europe will take it circuitously through England, should we not send our produce or manufactures to fetch it for them?

In the *Theory* of the Balance of Trade, it seems to be assumed, that Nations cast up their Accounts once a year, and pay or receive the Balance in Gold and Silver; but their dealings are, in *practice*, managed quite in a different manner. Let the trading Nations of Europe be each represented by a single Merchant. The *Russian* Exports more Hemp, Iron, and Tallow to, than he Imports other goods from, the *English* Merchant; but as the Russian Imports more Fine Linen, Wine, Paper and Glass Ware from, than he exports other Goods to, the *German* Merchant, he does not desire to have Gold from the English Merchant for the Balance due to him, but he draws a Bill upon England, for the quantity of English Money due by the English Merchant, which he sends to Germany in payment of the Balance due by him to the German Merchant. The German Merchant, having Imported more Goods from, than he has sent to, the English Merchant, remits the Bill drawn by the Russian upon the English Merchant to that Merchant himself, whereby the Balance due to him by the German Merchant is discharged. The Balance of Trade between Russia, Germany, and England, is thus settled *in England* without the intervention of any Gold, supposing the Balance due by England to Russia, to be equal to the Balance due by Germany to England.

Again, in the case now supposed, if the Russian Merchant be desired by the English Merchant, to draw Bills for the Balance due to him by the English upon the German Merchant, the Balance of Trade between Russia, Germany, and England, will, without the intervention of any Gold, be settled *in Germany.*

If a consideration of only these two different methods of settling the Balances of Trade, between three individual Merchants of different Nations, be extended to a consideration of the settlements of all the Merchants, engaged in all the various branches of Foreign Trades, in all the Nations of Europe, or of the world; it will be easy to see, what a vast variety and complication there must be of Foreign Bills, by means of which transfers of the Balances due from Nation to Nation are effected; and what a confusion of calculations, the exchanges of the Money of one Nation for the Money of other Nations (many of whose monies are always altering in their value) must occasion: and how almost impossible it must be to trace the various directions given to these Foreign Bills, not only by political, but by all the other revolutions and changes in the Commercial World. Too much consideration of the operation or workings of these Foreign Bills has been unfortunately introduced into inquiries concerning the Circulating Medium of Great Britain.

If all the Nations of Europe were to agree upon one place wherein to settle annually the Balance of Trade, as, for instance, upon Hamburgh; in the case before supposed, the Russian Merchant would receive orders from England to draw Bills, for the Balance *due to him*, upon the English Merchant's correspondent A. at Hamburgh; and the same Russian Merchant would receive orders from Germany to remit Bills for the Balance due *by him* to the German Merchant's correspondent B. at Hamburgh. The Russian Merchant would draw Bills accordingly on A. of Hamburgh, and remit them to B. of Hamburgh. The English Merchant would receive orders from Germany to draw, for the Balance due to him, upon the German Merchant's correspondent B. at Hamburgh, and would accordingly draw Bills on B. and remit them to A. at Hamburgh, to meet the Bills drawn by the Russian Merchant upon A.: A. and B. of Hamburgh would each then have a set of Bills on the other, by means of which the Balances of the English, Russian, and German Merchants would be adjusted. If the English Merchants were to desire all Foreigners indebted to them to remit to the correspondents of the English Merchants at Hamburgh, and were to desire all Foreigners, to whom they were indebted, to draw Bills on the same correspondents at Hamburgh; and, if all the other Merchants of Europe were to desire all their Foreign Debtors to remit to Hamburgh, and all their Foreign Creditors to draw upon Hamburgh, the Balance of the Trade of Europe would be settled in that city, and the accounts of the

Merchants of Hamburgh would come, when set against one another, much more nearly to a Balance than might at first be supposed: all the Nations of Europe would then have to settle the final Balance of their Trade through the Merchants of, and by means of the money of Hamburgh. Now the power of *importing* by any country must be limited precisely by its power of *exporting*. Russia may, for instance, import more from, than she exports to, Germany; but Germany will not continue this trade, unless Russia export more to, than she imports from, other countries, and transfer some part of those Balances to Germany. How else is Germany to be paid? Being already supplied with what Gold she wants, even if Russia could pay her with an annual stream of Gold, she would not receive it, unless with a view to export it again herself; in which case Gold would, like Tullow, be a mere article of Merchandize. But Russia, or any country, evidently cannot, upon the whole, *import* more than it *exports*, unless by obtaining a credit from Foreign Nations; and if the debt for that credit be *ultimately* paid, it comes just to the same in the *long-run.* If then the Nations of Europe be supposed to be already supplied with a sufficient quantity of Gold for their several purposes, no more than enough to supply the waste of that quantity will be received by any of them. Gold, therefore, though it may circulate among Nations as Coin circulates among the individuals of a Nation, will no more be received in an annual stream and be hoarded up by any one Nation, than Gold is now hoarded up by individuals. If Gold were so received as it could only be made into plate, supposing there were already Coin enough, what class of any Nation would be the purchasers of such annual quantities of Plate. Nations turn their Gold to *account*, as individuals do their money, and will retain no more than they require for their immediate use. If the Nations of Europe, therefore, could devise a system of Coinage that should retain the Coin of each Nation within its own realm or dominion, and should then fix, as it is here supposed, on one central place, wherein their annual Balances of Trade should all be settled, the uncoined Gold would flow to that place. Such a place would act as the Heart, with respect to the supply of Gold to the Commercial System of Nations, as the heart of the animal body acts with respect to the supply of Blood to the animal system. It would drive from itself to each Nation the new supplies of Gold which it might have a demand for, either to make good the waste or consumption of its existing mass, or to encrease that mass if its circumstances required an increase; and it would draw to itself from some Nations, and propel to others, the superfluity which more ingenious modes of economising the expensive use of Gold, or which changes in their circumstances might have occasioned, so as to effect that even distribution of the existing Mass of Gold, which is now accomplished by more indirect and more imperceptible channels. The quality which would fit any place for acting, as this Heart to the Commercial System of Europe, would consist in its having a Circulating Medium of the same *Value* as Gold and Silver, and which was not subject to variation or change in its value. Hamburgh and Amsterdam used to possess this quality in very considerable perfection, and were accordingly resorted to by the Merchants of Europe for settling the Balances of their Foreign Trade much more than any other Cities; but it would lead too far from the main subject to pursue any inquiry concerning the great advantages derived by those Cities from that circumstance. Enough has been said to shew that the Balance of Trade does not and cannot introduce, as has been supposed, an annual stream of Gold and Silver into England.

PART IV.

Of the real Nature of the Balance of Trade.

In order to ascertain the real *state* of the Balance of Trade, between Great Britain and Foreign Nations, it would appear then, that a set of calculations different from those made by the Officers of Customs must be formed. It ought to be observed, that under the term Foreign Nations are now included, as well the British Colonies and Dominions beyond the Seas, as parts that are more strictly Foreign; because in so far as the Balance of Trade does, or does not, tend to draw the Precious Metals into the *British Isles*, the Trade with her Colonies is as much to be considered *Foreign*, as that Trade which is strictly so.

In order to simplify the proposition about to be made, let it be supposed, that Great Britain is her own *Insurer* and *Carrier* for all her Foreign Trade both Exports and Imports.

In the Custom-House Calculation, the Value of the Exports is taken, *exclusive* of the Freight, Insurance, and all charges of Carriage *outwards*; whilst the Value of the Imports is taken *inclusive* of the Freight, Insurance, and all charges of carriage *inwards*. This is just to reverse the proper Statement with respect to Freight, Insurance, and all charges of Carriage. If all Exports were made (as perhaps nine-tenths of all Exports *are* made) in pursuance of Orders from Foreign Countries, the least that the English Merchant can make the Foreigner Debtor for in his Books of Account, is what he pays to the inhabitants of England for the first cost of the Goods, and all Charges upon them; and as Freight *outwards* to British Ships, is paid before-

hand, that is, as soon as the Goods are taken on board, he must make the Foreign Merchant his Debtor for the Freight outwards also. The Value which English Merchants have to receive in *Imports*, in return for the *Exports* made from England then, must amount, not only to the first cost of those Exports as set down in the Custom-House Account, but to that Value, with Insurance, Freight, and all charges outwards, and also with the Duty paid in England on Exportation of the Merchandize.

The Value of the Exports *as constituting a debt against Foreigners*, should be taken, not at the first Cost in England, but at the Cost when delivered in the Foreign Country; for until they are delivered, they do not constitute a debt from the Foreigner. If the Merchandize be lost on the passage outwards, the Merchant repays himself by means of the Insurance.

The Value of the Exports, as constituting a debt against Foreign Countries, is then much under-rated in the Custom-House Account.

The Value of Imports, *as constituting Value received from Foreigners, for which they are to have Credit in the Books of English Merchants*, is, on the other hand, over-rated. The Value of Imports, as constituting Value received from Foreigners, should be taken not at the Value of the Imports arrived in England, but at what these *Imports cost the Foreign Merchant*. What the Foreign Merchant pays for the Imports, which he sends to England, is all that those Imports ever *cost him*. Whether, therefore, the English Merchant consent to accept payment in the Foreign Country, for the Exports from England in other goods, upon a value mutually agreed on between him and the Foreign Merchant there, or, whether he wait for payment till the Imports into England arrive and are sold, in either case the Foreigner does not pay the Insurance, the Freight, or any charges of Carriage, nor do these constitute ever any part of a debt against him. The Freight for Imports into England is never paid till delivery of the Goods. If the Goods do not arrive, the English Merchant receives from the *Insurer* the Value agreed upon between him and the Foreigner, or the Value the Foreigner has directed him to set upon the Goods; or, if the Foreigner has set no Value on the Goods, he receives from the Insurer what the Goods cost the Foreigner, together with the expense of the Insurance itself. If the Goods *do* arrive, the Freight, Insurance, and all Charges of Carriage are received from the *consumer* and paid to the Insurer and Ship Owner, but they never constitute any debt against the Foreigner; because it is quite obvious, that whether the English Merchant takes his chance of the market, by accepting payment in Goods from the Foreign Merchant, in the Foreign Country, at a price mutually agreed upon between them there, or whether the Foreigner takes himself the chance of the English Market, neither party will send any Goods, but what, on their arrival in England, besides repaying the first cost in the Foreign Country, will repay also the Insurance, Freight, and all Charges of Carriage. If they do otherwise, the Insurance, Freight, and all charges of Carriage would be *a loss* either to the English Merchant or to the Foreigner; and if either of them carried on a Trade with the loss of the Freight, Insurance, and all Charges of Carriage, there would soon be an end to *their* Tradings. If the Goods never arrive, the Foreigner never pays any *Freight*, &c. but receives credit by means of the Insurance, at least, for what the Goods cost him. If the Goods *do* arrive, the *Freight*, &c. is received from the Consumer, and never constitutes a debt against the Foreigner.

The Value of the Imports then, as constituting the repayment from Foreign Countries for Exports sent to them, is much over-rated in the Custom-House Account.

The Imports, as constituting the repayment from Foreign Nations for Exports sent to them, are also over-rated in the Custom-House Accounts, by the Value of all Imports from the Greenland, South Sea, and Newfoundland Fisheries, for which no Exports, by the Custom-House reckoning, ever go out.

The Imports, as constituting the repayment from Foreign Nations for Exports sent to them, are over-rated also, by the Surplus received from the British Colonies in the West Indies; because the Value of the Exports to, are less than the Value of the Imports from those Colonies, by the profits of all the Planters resident in England. There are many other errors of a similar nature in the Custom-House Calculation, and which all tend to under-rate the Exports, *as constituting a debt against Foreign Countries*, and to over-rate the Imports *as the Value received in payment of the debt constituted by the Exports*. How comes it then, with the Value of the Exports so much under-rated, and the Value of the Imports so much over-rated, that nevertheless it appears, that the *under-rated Exports* of Great Britain *annually* exceed her *over-rated Imports* by many millions of Pounds Sterling in Value? And if England be not paid in Gold and Silver, by Foreign Nations, as is supposed by the Balance of Trade reasoning, for this surplus of Exports more than Imports, which surplus, it would thus appear, is even much greater than the Custom-House accounts make it; *how then is she paid* for these annual Outgoings from, more than Incomings to, the British Islands? Time and access to the necessary details of information are both wanting to state this matter with all the accuracy of which it is susceptible; but the fact is, that the Value of Exports more than Imports, so far from

being paid in Gold and Silver by Foreign Nations, as is supposed by the Balance of Trade reasoning, is *paid by the People of Great Britain themselves out of the Public Revenue.*

The Expenses of the Navy, Army, and Ordnance, of Great Britain have been between 30 and 40 Millions a year, for many years, and now probably amount to more than 40 Millions. Let it be considered how that number of her 1000 Ships of War, and those large Armies*, both constantly employed on Foreign Stations, are maintained by England, and this excess of Exports of Commodities above Imports will easily be accounted for. All the Bills of Exchange drawn upon the Treasury, the Navy Board, the Victualling Office, the Navy Pay Office, the Ordnance, the Army Pay Office, for the discharge of Salaries and Allowances to British Governors and Courts of Justice abroad, for the payment of Foreign Ministers, for Victualling, for Pay, for Hospitals, and for Supplies of all sorts to the Army, Navy, and Ordnance abroad, all the Bills of Exchange drawn on Merchants, for the payment of Dividends on the Public Debt due to Foreigners; and by private Contractors abroad on the Merchants of London, their Agents, who settle with the Government of this Country, and, in short, every payment that Great Britain has to make in Foreign Countries, will all, on examination, be found to be discharged by means of these annual Exports more than Imports. Out of the British annual expenditure of 70 Millions, it will readily be believed, that not less than between 10 and 20 Millions must annually be expended abroad. It will as readily be believed, that this yearly expenditure abroad is not, and cannot be discharged by an *annual stream* of between 10 and 20 Millions worth of Gold from Great Britain to Foreign Parts. One single 10 Millions worth of Gold is much more than would be necessary for, or, perhaps, *ever* existed in, the whole Circulating Medium of Great Britain. Twenty Millions is the nominal amount of the Bank Paper, by which this annual Foreign expenditure is discharged at the different Offices of Government, whose duty it is to discharge it. But 10 or 20 Millions *a-year* cannot be expended by Great Britain in Foreign Countries, without an annual Export of some sort or other to those Countries; and as there is no annual Export of Gold, there must be an annual Export of other Commodities. The *fact is*, that all the Bills which are drawn by the Contractors for Victualling the Army and Navy abroad, all which are drawn for pay, and otherwise for the supply and allowances to the Officers and Men, and *all Bills drawn from abroad* upon the British Government are remitted to *British Merchants*, in payment of Exports of Merchandize made by them, (either in execution of their own speculations,

* The army on Foreign Service at present is 137,000 Men.

or of the orders of Foreigners,) to the Countries where these Navies and Armies are maintained, or where those expenses of the British Government are incurred. It will be as obvious, on reflection, as it is easy on inquiry, to ascertain, that this is and must be the fact. How else is an *annual* Expenditure *abroad* of between 10 and 20 Millions to be supported by a Nation that does not possess Gold or Silver enough to circulate the other Commodities within her own home Territories?

This great Foreign Expenditure is the real cause of the Exports of Merchandize *from*, being annually so much greater in value than the Imports of Merchandize *to* Great Britain. This surplus of Value of the Exports, which is much greater, in fact, than what is exhibited by the Custom-House Accounts, is paid to the Merchants of Great Britain, not by Foreign Nations, but out of the 70 Millions collected and annually expended by the British People. If this Foreign Expenditure be necessary to maintain the freedom, the honour, and the independence of Great Britain, the Balance of Exports more than Imports, and which is much greater than appears by the Custom-House Accounts, ought not, perhaps, to be called an *unfavourable* Balance, or Balance against her. But it is not easy to conceive with what propriety it can be called, "*A Balance in her favour.*" Certainly, as a means of drawing Gold and Silver into Great Britain from Foreign Parts, no Balance can be more *unfavourable* or inefficient; and it does seem surprising that such a Balance of Exports more than Imports should so long have been supposed to be paid for by *Foreign Nations*, and should have so long continued to be called *a Balance of Trade in Favour of Great Britain*; while year after year for these fourteen years, during which, it was supposed, this Balance in her favour was drawing the precious Metals into Great Britain, their quantity has year after year been diminishing. It is, however, the supposition that the Balance of Trade is in *favour* of Great Britain, and that it is paid annually in Gold and Silver, which has mixed so much the discussion of that Balance of her Trade with considerations concerning her Circulating Medium; and it seemed to be necessary to clear the inquiry into the constitution and state of that Circulating Medium from the embarrassment of a subject which is of so much more abstract a nature. A Nation which collects and expends 70 Millions a year, and the daily payments of *a part only of the Merchants of whose Metropolis* amounts to nearly one thousand five hundred Millions* a year, the whole daily payment of whose Metropolis, therefore, is probably much more than double that amount, leaving out the consideration of all payments in the Interior of the Country, surely need not have recourse to abstract inquiries concerning the Balance of Trade

* £4,700,000 a day. Report of the Bullion Committee.

or Foreign Exchanges, to ascertain the best method of managing with respect to 20 Millions of Bank Notes, the Instrument or Engine by means of which all these astonishing operations at present are performed.

The present Inquiry is not concerning the Balance of Trade or Foreign Exchanges, but concerning the best and most frugal method of managing and maintaining, within the Realm of Great Britain, that quantity of a healthy Circulating Medium, which is indispensible to the welfare and convenience of her inhabitants; and which, being so maintained, must gain her great commercial advantages over Countries whose Circulating Mediums are liable to fluctuations and variations, through the improper or injudicious interference of their Governments in the management thereof.

PART V.

Of Circulating Mediums of the Precious Metals, before the invention or substitution of Paper Money for any part of them.

The necessity and convenience of Money, as a measure of the value of all other commodities, are so well understood, that it would be idle to make any observations upon that subject. Every one knows, that, for instance, a thriving and intelligent Farmer, wishing to purchase a library, does not drive an Ox or a few Sheep to the Bookseller, but that he drives them to a Cattle Market, where he sells them for Money, wherewith he purchases Books, or whatever else he may stand in need of and can afford.

The great convenience of the Precious Metals has caused them, for many ages to supersede, not only in Europe, but in almost every part of the civilized world, the use of all former or other contrivances as a common measure of Value. The qualities which peculiarly fit the Precious Metals for being a common measure of Value, are their great worth in very small compass, their durability, and their easy divisibility, in an union of all which qualities, they greatly excel all other substances. A measure of the Value of all other things, of whatever it may consist, must necessarily be, in more or less quantity, in the possession of every member of Society, and must be continually passing from one to another, as there is occasion to exchange it for the necessaries, the comforts, the conveniences, or the luxuries of life. Circulation is thus obtained by a common measure of the Value of other things, whence the name of Circulating Medium is given to what is called, in common language, Money. But what so admirably fits the Precious Metals for making Monies or Circulating Mediums, is, that equality, with which they diffuse themselves over all the world; so that their Value does not depend upon their quantity in any particular Country or Place, but upon their quantity in the whole world. If one Foreign or remote Nation used Iron as a Circulating Medium, another Lead, a third certain Shells, and a fourth certain pieces of Paper, and did not any of them use or possess Gold; it is not easy to see, how Commerce could be carried to any very high degree of perfection. It could then only be carried on by direct barter, and a Merchant could not calculate, beforehand, the probable success of his adventures. If these Foreign Countries were without Gold, he could not, as he does now, ascertain the Value of their commodities, compared to that Precious Metal which he knows is always nearly as uniform in its Value as it is uniform in its nature. He could only calculate by the analogy, that as certain commodities he took thither before, procured him certain commodities which he brought back and sold to his own Countrymen to a profit, that the exchange of these commodities will probably again procure him another profit. But he could never know the Value of commodities in exchange for other commodities, except as he judged by his own former experience, or as he could learn by the dealings of other Merchants. But the quality which the Precious Metals possess, and particularly which Gold possesses, of diffusing itself evenly throughout the world, enables him to use Gold as a standard, and by referring to *it* the Value of all other commodities, he can calculate beforehand with considerable precision, the probable issue of his adventures.

The Value of Gold is the first cost of extracting it from the Mine, together with the profit of the Farmer of the Mine and of the Owner of the Mine. The Trade in new supplies of Gold, is a monopoly Trade, engrossed by the Kings of Spain and Portugal. The Mines discovered in their Territories, in South America, were so fertile, that, as has been already observed, their discovery stopped the working of the old Mines in Europe. At first they were so fertile, that the Kings of Spain conditioned with the farmers of the Mines, that one half of all the Gold extracted from them should be paid for their Rent. As they grew deeper, the Farmers discovered that the other half would not pay them the expense of extracting the Gold from the Mines; the Kings of Spain, to get Farmers to work them, were obliged therefore to abate the Rent, and so by degrees, as the Mines grew deeper and deeper, the Gold procured from them would only enable the Farmers to pay $\frac{1}{20}$ of the Gold to the Kings of Spain, at which Rent, it is believed, they continue to this day. It is quite obvious, therefore, that new supplies of Gold must be equal in Value to the expense of extracting that Metal from the Mine, together with the profit of the Farmer of the Mine, and of the Owner of the Mine. Gold is of this Value because it cannot, in the nature of things, be had for less. The Value of Gold, *in any part of the world*, therefore, can only be the price of these new supplies of it at the mouth of the Mine, and the expense* of transporting it to *that part* with a profit. Gold will be transported from the mouth of the Mine to all parts of the world as long as a profit can be obtained by the operation. But as the expenses of transportation are exceedingly small, as has been already observed, the Value of the accumulated Mass of Gold in the world must be, every where, very nearly equal to the Value of Gold at the Mouth of the Mines in South America. It is this equality of the Value of Gold, all over the world, that pre-eminently qualifies it for a Circulating Medium in all, but particularly in Commercial Nations; and it is of moment, that in Inquiries like the present, this essential difference in the manner of estimating the Value of Gold, and the Value of other commodities should never be lost sight of. *No Circulating Medium in Europe has any Value, but what it derives, either from being Gold itself, or a true representative of Gold.*

When Gold came first to be adopted for the purpose of constituting the Circulating Medium, or Money, as it would, naturally, have been extremely inconvenient to each individual, to be under the necessity of ascertaining the weight and fineness of every quantity, or piece, offered to him, Nations found it expedient to divide that Metal into small portions, or pieces, and to affix a public mark or Stamp on each piece, whereby its weight and its fineness might be ascertained. The right of making Gold into Money, or Coin, is one of the privileges that has usually been held to belong to, and is generally exercised by the Sovereign, whose proclamation is made to signify the weight and the fineness of each of the pieces or Coins, which then pass by tale without the inconvenience of weighing or of assaying them. The Law of almost every Country prohibits individuals, under severe penalties, from imitating the Coins of the Sovereign; and almost universally punishes with death the crime of counterfeiting his Coins in baser Metals, whereby his honour would be forfeited, and his subjects defrauded.

Many persons, who are unaccustomed to abstract inquiries, find considerable difficulty in getting rid of associations of ideas concerning Money; they seem to think that some *virtue* is imparted to Gold by the Coinage, by which its Value, compared to other things, is ascertained. It is of much importance to bring the mind, to the consideration of the nature and properties of Money, quite abstracted from any such association of ideas. No change is effected in Gold by the Coinage, except the ascer-

* The consideration of the Expense of evading prohibitory laws is omitted to simplify the subject.

tainment of the weight and of the fineness of each piece. The Coin has no Value but what it derives from being a certain quantity of Gold. A Sovereign may, indeed, fix the value of his Coins of one Metal compared to his Coins of another Metal; but if he should fix the comparative Value of such Coins, differently from the comparative Value which the *supply* and *demand* of the Metals of which they are composed has fixed between those Metals themselves, no laws could, in the nature of things, be put in force, which would restrain his subjects from melting down the undervalued Coin, for the sake of the gain they would make by uncoining and restoring it to its natural proportional Value to the other Metal.

Thus if, in the actual circumstances of the World, the different proportional *supply* and *demand* of those two Metals comparatively shall have fixed, among mankind, the value of *one* Pound weight of Gold equal to the value of *fifteen* pounds weight of Silver, and a Sovereign should notwithstanding decree, that, *ten* pounds weight of his Silver Coins should be worth *one* pound weight of his Gold Coins, the whole of his Gold Coins would soon be melted. So long as the *one* pound weight of Gold remained *Coins*, it would be of no more Value, and could be obtained in his dominions for *ten* pounds weight of Silver, because the Law of the Sovereign will have it so; but, when, by the melting or uncoining, the power of HIS Law is dissolved, the *one* pound weight of Gold becomes again, (by the Law of *supply* and *demand* which regulates the price of Gold and of Silver, and of all other commodities compared to one another,) of the Value of *fifteen* pounds weight of Silver. If the Mint of any Sovereign were conducted in this manner, either he must provide Gold Coin at an enormous and unceasing loss to himself, or he must be content to do without Gold Coin, or to establish the proportion between the Value of his Gold and his Silver Coins more agreeably to the proportion which, by the Law of supply and demand, is established between the Value of Gold and Silver.

Different Nations and Sovereigns have coined the Precious Metals into a great variety of pieces of various sizes and purity, as suited their convenience or fancy, and have sometimes altered both the size and the purity of their Coins from very unworthy motives; they have given to their Coins also a great variety of arbitrary names, which seldom denote either the weight or the fineness of the pieces. In England we have Guineas, half Guineas, Crowns, Shillings, &c.

It is this capricious division of the Precious Metals, and the different degrees of purity in which they exist in the Coins of different Nations, when these Coins come to be compared with one another, which give the *first rise* to those calculations, with which the Theory of the Circulating Medium has unfortunately been

so much embarrassed, and which it has before been observed, is dignified with the name of the *Doctrine* of Exchanges.

If it be supposed, that all the Nations of Europe had agreed to coin a pound of Gold, of the same purity, into pieces of the same number and weight, whether those pieces were impressed with the Insignia of Imperial or of Royal Dignity, or with the more ignoble Heraldry of the Burghers of a Hanse Town, their Value, *compared with one another*, must inevitably be the same; and if, by a like consent of the Nations of Europe, these Coins were made current in common among them, and could be maintained in equal good condition with respect to the wear of them, *and if there were no other Coins*, the only possible difference there could be between their Value in one Nation and their Value in any other Nation, would be the expense of their Carriage or Transportation from the one to the other. If the Nations of Europe should further agree, to give these Coins one common stamp, the proposition has all the force which any self-evident proposition *can* have; for Coins, or pieces of Gold, which are mathematically similar, cannot have a different value compared with one another. These pieces of Gold might and would be exchanged for very different quantities of other things, for very different quantities of the comforts and conveniences of life, in every Nation; because the comforts and conveniences of life are not, like pieces of Gold, easily transportable from one place to another. They could not be exchanged, in the same country, *for different quantities of one another*; for they would all be similar things. In this state of affairs, if a Merchant in London wanted the command over 1000 of those pieces of Gold in Petersburgh, if he could find in London a Russian Merchant, he would offer him, suppose, 1020 pieces in London, for an order to his House of Trade in Petersburgh to pay 1000 pieces there; he would send this order in a letter by the post; but if the Russian demanded 1030 pieces, and if the London Merchant could send to Petersburgh 1000 pieces himself for an expense of 20, he would not give for the order 1030, but would send those 1000 pieces in Coin himself. The "Exchange," or the price to be paid in one City or Country for the command of *such* Money in any other City or Country of Europe could, in this state of things, therefore, never exceed the expense of transporting these Coins from one place to another.

But the different Sovereigns of Europe having divided Gold into all sorts of pieces, and of various purity, the Exchange, or the price to be paid in the Coin of one Nation, for a given quantity of the Coin of another Nation, requires often a long and intricate calculation, but the result is the same; no more Coin of one Nation will ever be given for that of another Nation, than the quantity of Gold contained in them respectively, and the expense of transporting it from the one to the other.

The Sovereigns of Europe have often committed great frauds by altering the Value of their Coins. In former times, when indebted to their subjects in a great quantity of them, by altering sometimes *directly* the weight and size of the pieces, and sometimes indirectly, by mixing a greater quantity of alloy with the Gold contained in them, and yet paying their debts to their subjects in the same number of pieces; alledging, that the debts were so many pieces: and in later days, by issuing, directly or indirectly, pieces of paper, on which are written promises to pay a certain number of their Coins at a future day, and making those paper promises and their Coins of the same value by forced laws; whereby their Coins are, *within their own dominions*, of no more value than these promises to pay them at a future day. These irregular interferences of Sovereigns, and other causes, give rise to further and more speculative calculations, in comparing the Value of the Coins of different Nations, besides those which arise from the difference of their weight and purity. These calculations are all comprehended in the *Doctrine* of Exchanges, the learning of which consists, as has before been observed, in watching these tricks, frauds, and changes, in order to convert the knowledge of them to a profit.

It would be an unprofitable employment of time to inquire here of what number of pieces, or of what weight or fineness the Coins of other Nations are composed, or what interferences their respective Sovereigns have made with them. It may materially contribute to the better understanding of the subject in hand, however, to give a short and summary account of the history of our own Coins, which is here subjoined.

Concerning the Coins and Money of England.

A Pound Sterling is a denomination of Money, which never existed in a single coin in England. It is the highest denomination of our money of account, and formerly was a Pound Troy *in weight*, of which eleven ounces were Silver and one ounce Copper. A Pound *Sterling* meant a pound in *weight* of this composition; genuine; or which had passed the test. At the English Mint, this Pound used formerly to be divided into 20 pieces called Shillings, and into 240 pieces called Pennies, each of which pieces weighed, therefore, that division of the Goldsmiths' Pound Troy, still called a *penny-weight*. These Shillings of course passed by Tale, 20 to a Pound Sterling, and so in proportion. At present, a Pound of Silver of sterling fine-

ness is divided at the Mint into 62 pieces, called Shillings, and 20 of those degraded Shillings by *tale*, are still called a *Pound* Sterling. This alteration of the division of the Pound Sterling of Silver was effected, (as has been very minutely described by the late Lord Liverpool*,) by the Monarchs from Edward I. who, in the 28th year of his Reign, first debased the Coin, to Elizabeth, who, in the 43d year of her Reign, was the last who debased it. This debasement therefore, it would appear, was effected in about three Centuries, from 1301 to 1601: during the two Centuries which have elapsed since the 43d of Elizabeth, this division of the Pound Sterling, or Pound of Silver at the Mint, has remained unaltered by any public law. A promissory Note of the Corporation of the Bank of England for one Pound,† has indeed been for the last fourteen years, by the Law of Great Britain, a legal tender for the payment of a Debt of One Pound Sterling,† and that Corporation is now attempting to exchange its promissory Notes for One Pound, for $3\frac{7}{11}$ pieces of Silver, which at the Mint would be made into fifteen Shillings and Nine-pence. This is the last and most degrading debasement of the Pound Sterling. If the system which has occasioned it be pursued, and be successful with the Public, these pieces of Silver may be valued so high, that three, or two of them, may exchange for a promise of the Bank of England to pay a Pound. These pieces of Silver, of which $3\frac{7}{11}$ are offered for a Pound Sterling, are Spanish Dollars recoined by the Corporation of the Bank of England, and called by that Corporation "Tokens." These Dollars or "Tokens," are, in fact, Bank Notes for five Shillings and Sixpence, issued indeed upon Silver, but why not upon Copper, or upon *Paper*, which are so much cheaper Commodities? A Bank Token, or Note for *5s. 6d.* might be made of Copper at the expense of a halfpenny; or of a handsome ornamented paper for much less than a farthing: while these *Silver* Tokens for *5s. 6d.* are worth, at the English Mint, *no less than* 4*s.* 4*d.* each. A few days ago they were used by the Bank of England to signify *5s.*; they are now used to signify *5s. 6d.* The proportional Values of Gold and Silver have not altered one-tenth, however, within the last few days; the same quantity of Gold that would a few days ago purchase 40 Spanish Dollars, will purchase 40 Spanish Dollars now; yet eleven One Pound Notes may *now* be had for 40 Spanish Dollars, called by the Bank "Tokens:" only ten One Pound Notes could, *a few days ago*, be had for the same 40 Dollars. If the 40 Dollars have not, within these few

* In his Letter to the King on the Coins of the Realm.

† The Promissory Notes of the Bank of England are promises to pay "One Pound," without the word Sterling, which seems to be improperly omitted.

days, therefore, altered in Value, compared to Gold, it is plain that Bank Notes must have altered in Value, compared both to Gold and to Silver, since eleven One Pound Notes can now be had for the same quantity of Silver, *unaltered in its Value with respect to Gold*, as would, a few days ago, purchase or procure only ten. The Value of a Bank of England Note is, indeed, thus fixed by the Bank of England itself at the Value of the Silver in $3\frac{7}{11}$ Spanish Dollars, which would, as has just been observed, be coined at the Mint into 15*s.* 9*d.* A Bank Note is fixed by the Bank at that Value, because they agree to give or exchange it for that Value, and will themselves at present agree to give no more for it than that Value.

That so great an alteration of the division of the Pound of Sterling Silver at the English Mint, as to reduce the Shilling sterling *in weight*, and consequently the Value of the Pound sterling *in tale*, (of 20 Shillings to the Pound) to less than one-third of their original Value, namely, in the proportion of 62 to 20, could not have been made *all at once*, without producing violent commotions in the State, will readily occur to every one, who will consider what the effect would be of a Law, which should *now, all at once*, degrade a Guinea to the size, and consequently to the Value of a Seven Shilling Piece; still calling the degraded Coin a Guinea, and making it lawful payment for a Guinea. Such a degradation of the Guinea would not be quite so great a degradation as the Pound Sterling underwent in the three Centuries, from 28th of Edward I. to the 43d of Elizabeth. By such a measure, all Debtors would pay money in one third of the Value which they received; all Creditors would, therefore, be defrauded of two-thirds of the debts due to them. A Seven Shilling Piece being now lawful tender for a debt of, and called by the name of, a Guinea; all the money-rents of Houses and Lands upon leases, all fixed Salaries and Annuities, all Interest or Dividends due from the Public, would, by such a Law, be reduced two-thirds; every Guinea's worth of them would still be discharged by a Guinea, but the Guinea would be of the size and Value of a Seven Shilling Piece. On the other hand, the price of provisions, of the necessaries of Life, and of all commodities, would nominally be tripled: the commodity would not cost more Gold; but it would cost three times the number of these degraded Guineas.

It is easy to conceive how much public indignation would be excited, and what public distress would be occasioned by so violent and so arbitrary a Law. If the measure were carried, however, without overthrowing the Constitution of the State, after it had once produced its full effect, no more future evils would result from it. The next generation would only

reckon (other circumstances being the same) the Value of *their* commodities at three times the Value which the last did. The Money-Rents of Houses and Lands upon Leases, all fixed Salaries, and new Annuities of the same Value as the old before the supposed degradation of the Coin, the price of Provisions, and of all other Commodities, would be reckoned in three times the number of Guineas by the *next*, but in the same quantity of Gold as by the *last* generation. The Interest of the Public Debt, in so far as it partakes of the nature of a perpetual Annuity, would continue to be paid in these degraded Guineas. The Annuity being *the thing bought* by individuals, when they purchase part of the Public Debt, new purchasers would lose nothing by this change; because the Annuity would be purchased with the same money in which the annual Interest would be paid. Three per cent. Stock would still yield three of those pieces for 65, if the Value of Annuity Stocks bore the same proportion to the market rate of Interest as at present; but the seller of the Annuity would receive only 65 Seven Shilling Pieces, though called Guineas, for what he had given 65 old *Guineas*, of three times their weight and Value. The old public creditors would therefore thus be defrauded of two-thirds of their fortunes, both principal and interest. The public debt of 600,000,000 of *old* Guineas, of the Value of 21*s.* each, would be discharged by the payment of 600,000,000 of *new* Guineas, of the Value of 7*s.* each. The Pound Sterling was thus gradually degraded by the Sovereigns, from Edward the First, who was the first, to Elizabeth, who was the last Sovereign, whose Reigns were tarnished by these unjust acts of their Governments. The Pound Sterling was degraded by these Sovereigns from the unworthy motive of defrauding their public Creditors. The Pound Sterling *in Tale* was always twenty Shillings, and it so continues to this day. The fraud was committed not in the *Tale*; for it would have been too palpable a fraud openly to refuse to pay more than 18 or 19 Shillings for a debt of 20; but in the *weight*, 20 Shillings were always paid for a debt of 20 Shillings, or a Pound Sterling, by all these Monarchs; but they altered the weight of the Shilling by little and little at their Mints, till the Shilling, of which 20 weighed a pound Troy, became so much diminished, that in three centuries, ending with the 43d year of Elizabeth, 62 Shillings were, and have ever since been required to weigh a Pound Troy of Sterling Silver.

The following is a brief summary of the late Earl of Liverpool's Account of these *treasons against the Pound Sterling*, which have been committed by the Monarchs of England.

				Stg. s.	d.
1st,	In the 28th year of his Reign	Edw. I.	coined 1 lb,* weight of Silver into	20	3
2d,	18th	Edw. III.		22	2
3d,	20th	Edw. III.		22	6
4th,	27th	Edw. III.		25	0
5th,	13th	Henry IV.		30	0
6th,	4th	Edw. IV.		37	6
7th,	18th	Hen. VIII.		45	0
8th,	2d year of her reign	Elizabeth		60	0
9th,	43d	Elizabeth		62	0

So that, according to Lord Liverpool, to this last period, the total debasement since the reign of William I. when a Pound *Sterling* in *weight* and a Pound *Sterling* in *Tale* were the same, amounted to $65\frac{55}{93}$ per cent. His Lordship gives an account of several propositions which were made for debasing the Silver Coin in different subsequent Reigns, but which were all rejected; so that for two centuries since the 43d of Elizabeth, no alteration has taken place, and the Pound Weight of Sterling Silver continues to be now divided at the King's Mint into 62 Shillings, 20 of which by *Tale* have since continued to be a Pound Sterling. Twenty of these Shillings, or other coined Silver equal to their *Weight, when issued from the Mint*, are the only lawful *Silver* Pound Sterling of this Realm for payments above 25*l.* A Promissory Note of the Corporation of the Bank of England for *one Pound*, has, indeed, since 1797, been made a lawful tender in payment of a debt of *one Pound Sterling*. That Corporation offers to give for each of its Promissory Notes for one Pound, a quantity of Silver, which, if it were to be divided at the Mint into 20 equal pieces, or Shillings, $78\frac{9}{13}$ of such pieces would be required to make a Pound Troy of Sterling Silver.

A Promissory Note of the Corporation of the Bank of England for *One Pound*, if it be really a promise legally binding that Corporation to pay one Pound *Sterling*, can only be discharged by a payment of twenty Shillings of Sterling Silver of which there shall only be 62 to the pound Troy. If this be not obvious at first sight, let it be considered that 25 Promissory Notes of the Bank of England for *One Pound* each, if they be really Promissory Notes to pay one Pound *Sterling*, can only be demanded together, be *legally* discharged in Silver Coins, to be received not by *tale* but by *weight*, reckoning each Troy Pound weight of Silver Coins, at sixty-two shillings; or they must be

* The distinction of the Tower Pound and the Troy Pound is omitted, as well as any description of the real Coins here calculated in Shillings; the statement is thought sufficiently accurate for the purpose merely of gratifying curiosity. The debasements of the Coin by alloying the metal is omitted also, as it was restored by Queen Elizabeth to the Standard of Sterling.

discharged in *Gold* Coins of the Value of that *weight* of Silver. For 25 of these Promissory Notes, if offered to be paid in Silver, the holder would legally have right to insist on having $8\frac{4}{61}$ pounds *weight* of Sterling Silver, or $23\frac{17}{21}$ Guineas in Gold.

If the holder accept the quantity of Silver now offered to him in exchange for £25 of their Promissory Notes, by that Corporation, he will receive *$6\frac{6}{17}$ pounds weight of Sterling Silver, worth only $18\frac{16}{21}$ Guineas in Gold; that is to say, the holder, who has a right to insist, if offered payment in Silver, on as much Silver as would make 500 Shillings English Sterling, 62 to a pound, is now offered as much as would make 394 of the same Shillings. Surely the public is very much obliged by the kindness and generosity of such an offer; and it may be asked what would be thought of a private individual, who should propose to *exchange his* Promissory Notes for $8\frac{4}{61}$ pounds of Silver, or 25*l. Sterling* for $6\frac{6}{17}$ pounds of Silver, worth only 19*l.* 14*s. Sterling?* Of a truth, as has already been observed, this Exchange of Silver for a Pound Sterling, amounting in effect, to a division of the pound weight of Sterling Silver into $78\frac{9}{13}$ pieces, of which 20 by tale are now in fact proposed, with success, by the Corporation of the Bank of England to pass for a Pound Sterling, as it is the last, so it is most degrading debasement of our Pound Sterling.

For a long time Silver Money was chiefly in use in England; but, as the Value of other commodities compared to Silver increased, Gold Coins, as being smaller and more convenient, came to be chiefly used, and are now, for all payments above 25*l.* virtually the only lawful Coin of the Realm. But of whichsoever of those Metals the Coin, chiefly in use, may be composed, it is quite evident, that such Coin has no Value, but what it derives from the quantity of pure Metal contained in it. If a Guinea were rubbed down to the size of half a Guinea, it would be received for the Value of half a Guinea and no more.

The art of maintaining Coins at their full Value consists simply in refusing to receive them but by *weight*. If the Stamp of the Sovereign be sufficient to prove the *fineness* of the Metal, all that is necessary to ascertain the Value of degraded, compared to new, Money, is to ascertain the difference of their weight.

CONCLUSION OF PART V.

Including a few Remarks on the Value of Money.

Before the invention or use of any substitute for the Precious Metals, in the Circulating Medium, into whatever varieties of size and of fineness their Coins might be divided, every Nation, as it would require a certain number of pieces to circu-

* $6\frac{362}{1027}$.

late within itself the objects of Commerce, the necessaries, the comforts, the conveniences, and the luxuries of life, would, by the very nature of things, always retain that number or quantity of Coins among its inhabitants for that purpose, whatever might be the state of its Foreign Trade, of its Foreign Debts or Credits. If the Merchants of any Nation, having obtained Credit from the Merchants of a Foreign Nation, shall have already exported the *whole surplus* produce of the Soil and Industry of the Inhabitants of the *Debtor* to the Merchants of the *Creditor* Nation, and there still should remain a Balance due; that Balance being beyond the value of the *whole surplus productions* of the Debtor Nation, cannot be paid by its Merchants, until its Inhabitants have a *new surplus* of productions to sell to them wherewith they may remit for it to the Merchants of the Creditor Nation. The Merchants of the Nation which has *given* the Credit must be content to wait till this new surplus is produced; for unless it be supposed that the Merchants of the Nation which has *taken or received* the Credit, should have the address to persuade the Inhabitants, for the sake of *their* Merchants' Credit with Foreigners, to part not only with the *surplus* of the productions of their Soil and Industry, already exported to the Creditor Nation, but also with some of that quantity of those *productions which is necessary for their own use*, how else can such a Balance be paid? It is not very easy to conceive the sort of Rhetoric that would prevail on the Inhabitants of any Country to comply with such a request of their Merchants, though made from so very laudable and creditable a motive; namely, their wish to pay, at once, their Foreign Creditors, without putting them to the inconvenience of waiting.

But the quantity of Coin, necessary to circulate the productions of their Soil and Industry among themselves, is just as necessary, for *their own use*, to the Inhabitants of a Nation, as any of those productions themselves, and no part *of that quantity* of their Coin would be parted with by them, in order to enable their Merchants to pay their Debts to Foreigners, any more than they would, for that purpose, part with any quantity of those productions themselves which are necessary for their own use. The Merchants of every Nation have always exhausted that Nation's means of enabling them to pay Foreign Nations for Importations of Merchandize, when there is nothing left in the Debtor Nation, but the productions of the Soil and of the Industry of its inhabitants, which are *necessary for their own use*, and the *quantity of Money necessary to circulate among themselves* those productions. Under all changes of their Foreign relations, therefore, and before the invention of any substitute for Coins of the Precious Metals, enough of those Metals would always be retained in every Nation, to compose that quantity of Coin; and enough would annually be imported to maintain the continual wear or abrasion of that quantity in circulation. Different Nations would however require very different quantities of Coin; as a rich and populous Commercial Nation, having a great many commodities to circulate, would require a much greater quantity of Coin, than a poor and thinly inhabited country having but few commodities to circulate. Great Britain would require, and probably possess always, more Coin than Norway or Lapland: but the quantity of Coin required in different Nations would not be equal in Value to the quantity of other commodities *requiring to be circulated by it*. The Value of the Coin, multiplied by the force with which it circulated in any country, would be equal to the value of the commodities *circulated by it*, multiplied by the force with which they circulated in that country: and hence, if the Money of one Nation circulated much faster than the Money of another Nation, a less quantity of Money would be necessary to circulate the same quantity of other commodities in that Nation where the velocity of circulation was greater.

To make this proposition more familiar, let it be supposed, that the circulation or exchange of other commodities is made only by the intervention of Money, i. e. that all things are bought and sold for *money only*. Then, if it were proposed to calculate the value of all the things to be circulated (that is bought and sold) in Great Britain in a year, many of these things would require to be set down several times over. If a house were sold twice in that year, its Value must be set down twice in the account; if an Ox be sold by the Farmer to the Grazier, by the Grazier to the wholesale Cattle-Dealer, by him to the Carcase-Butcher, by the Carcase-Butcher to the Retail-Butcher, &c. and by them to the public, which is the Consumer; the value of that Ox must be set down in the Account, not once but five times, encreasing its value each time, by the profit of the different dealers through whose possession it passes, to the Consumer, when its value ceases. The time, from which this Animal is thus put into the circulation of commodities and money, till it ceases to have existence in that circulation, may not be more than the space of a few days or a week, but the Money, which was given for it on these numerous exchanges, does not cease from its existence in the Circulating Medium, at the same time that this other commodity ceases from *its* existence among things to be circulated, but the Money continues going about doing its office all the rest of that year, and perhaps for a Generation or two afterwards. If it were proposed, therefore, to calculate the quantity (i. e. value) of all the money in Great Britain, necessary to circulate all the other commodities requiring to be circulated by it, the Money must not be set down once, but perhaps 100, 1000 or 10,000 times. The same Money, which the Consumer gave to the Retail-Butcher, the Retail to the Carcase-Butcher, the Carcase-Butcher to the Wholesale-Dealer, and so on to the Farmer, may pass through 1000 hands in the course of a year: it would therefore, in such an account of value, be reckoned 1000 times over. There are, in a rich and populous Country, a far greater number of commodities, which do not require to be circulated every year, than in a poor and thinly inhabited Country. If a man in a rich Country, buy a Dwelling-House, Plate, Books, or Household Furniture, these become a dead stock, or at least circulate very slowly. Money itself, *as an instrument of buying and selling*, is also a dead stock to a Country. Some idea of the great power of the velocity of circulation, in increasing the comparative value of the dead stock of Money and of the dead stock of other commodities, may be formed, by supposing with Mr. Gale, (in his admirable Essays on Public Credit which are not sufficiently known and considered) that all the Lands, Public Buildings, Houses, Furniture, Ships, Goods, Merchandizes, and all commodities whatsoever in England, were brought to Sale at one day and hour. If they were to be paid for at that day and hour, it is plain, they could not fetch or sell for more than all the Money or Circulating Medium in England, which every one knows would not be 1000*th* or 10,000*th* part of their value.

Hence it will appear then, that as the value of Gold depends, not upon its value in any particular Country or in any particular Place, but upon its value in the whole World; so the value of Money made of Gold (or of any other material) does not depend, in any Country, *merely* upon its quantity (i. e. value), compared to the quantity (i. e. value) of other commodities in that Country, but upon its quantity (i. e. value) multiplied by the force with which it circulates.

If the value of all the commodities in any Nation be represented by the figures 1000, which circulate, on an average, with a force represented by 10, their Value would be 10,000. If the Value of Money in that Nation be represented by the figures 100, circulating with a force represented by 100, its Value would be a 100 times a 100, or 10,000. If the Value of the Money be represented by the figures 10, circulating with a force represented by 1000, the Value would be 10 times 1000 or still 10,000; hence, it will clearly appear, that an *increase* or *decrease of the Value of Money* will be produced, as much by an increase or decrease of the force or velocity with which it circulates, as by an increase or decrease of the quantity of Money itself.

A consideration of the circulation of *Money* necessarily comprehends a consideration of the circulation of *other commodities*.

The effects, upon the Value of Money, produced by increasing the quantity of Money, or by increasing the velocity of its circulation, have been well explained by Mr. Gale, in his first Essay, to the following effect:

Let the 24 Letters of the Alphabet represent 24 persons; A owing a sum of Money to B; B to C; C to D; and so on; and Z owing the same sum to A.

First, if A pay this sum in Gold or Coin to B; B the same Coin to C; C to D; and so on: and Z to A himself again;

Secondly, if A draw a Bill of Exchange upon Z and pay it to B; B to C; C to D; and so on to Y; and Y deliver it up to Z for the same sum due by him to Z;

Thirdly, if A give his promissory Note to B; and B to C; C to D; and so on to Z; and Z deliver it back to A; for the same sum due by him to A;

Fourthly, if the 24 persons cancel their debt to each other by mutual agreement;

It is evident, that the same effect will be produced in all these four cases. "In the first case," says Mr. Gale, "the effect is produced by the increased velocity of circulation; in the second and third cases, by an additional quantity of Circulating Medium; and, in the fourth case, the effect is produced by the circulation or exchange of the commodities themselves, for which the debts were contracted, in which last case, the use of Money is supplied without its presence."

The daily payments of a certain part of the Merchants of London have been ascertained to amount to about five millions. If these Merchants, and those who deal with them, had but one Banker, one day's Money, or five millions, would of course serve for the payments of a multitude of years, and therefore would in a *single year* perform the functions of 1500 millions of Money, reckoning 300 days in the year. The parties concerned would only have to pass their orders to this one Banker who would daily apportion to each person his share of these five millions.

On the greater or less perfection, to which these various contrivances for economizing the use of Money are brought in any Country, will depend the quantity of Coin necessary to circulate all the other commodities in that Country.

Again, if the 24 Letters of the Alphabet represent 24 persons, each and all employing X as Banker, and all severally indebted, as before supposed, to each other; if A give B an order upon X the Banker, X holds that sum no longer subject to A's control, but holds it subjects to B's control; if B give a like order to C; C to D; and so on; and Z give an order again to A; X the Banker takes the sum successively from the control of the one, and holds it subject to the control of the other, till it comes by Z's order liable to the control of A again. But as X the Banker has never parted, or had occasion to part, with the sum of Money, to any of these 24 persons, represented by the Alphabet, the velocity of the circulation is increased, not only by the self-same Money performing 24 operations, and by the time saved in counting or weighing the Money, but also by this circumstance, namely, that the Banker, who has had for his trouble the use of the Money deposited with him, puts that same Money into *circulation in other quarters*, during the time he can calculate on its remaining with him, whereby he gains the profit of his Trade as a Banker. By the Trade of Bankers a Country is benefited, not only by its Coin or Money obtaining a greater velocity of circulation, whereby a less quantity of Money, *considered merely as an instrument of buying and selling*, is made to become of the Value of, and to serve the purpose of, a much greater quantity, and thus the first cost of the larger quantity and expense of maintaining it are saved; but also it is benefited, by the birth of a new class of Labourers in the general division of labour, whereby the National Stock, and the industrious Population, and therefore the National Wealth and prosperity, are increased and promoted.

To resume the supposition, (no substitute for coined Money being as yet invented) namely, that all the Nations of Europe used similar Coins, *each with its respective mark or stamp*, of any of the Precious Metals as their common and respective Circulating Mediums, and that each Nation had the same quantity (*i. e.* value) of other commodities to be circulated; in that case, it is obvious, that the quantity (*i. e.* value) of Coins necessary in the several different Nations would depend upon the greater or less force with which they circulated in each. If, in any Nation, the improvements in giving greater velocity to the circulation of its quantity of Coin went at a proportional pace with the increase of its wealth in other commodities requiring to be circulated, no larger quantity of Coin would be necessary to circulate the larger quantity of other commodities. That Nation would be more thriving, and consequently would soon be richer, than another Nation, whose wealth in other commodities advanced at the same pace, but which, for want of the invention of giving greater velocity to its circulation, is obliged to maintain a proportionally increased quantity of Coin to circulate its increased quantity of other commodities. Just as if two Tradesmen, with each 1000*l.* Capital, should set up shops, and one should lay out 500*l.* in a Shop, and 500*l.* in a Stock in Trade, and the other should lay out 250*l.* in a Shop but 750*l.* in a Stock in Trade; if their property were brought to sale, at the time of their setting up, they would be equally rich, because the property of each would sell for 1000*l.* But as their Shops would be *dead Stock*, if their deal-

ings with their respective Stocks in Trade were equally brisk, the one who had 750*l.* *active Stock* in Trade and only 250*l.* *dead Stock* in a Shop (as he would be the more thriving of the two,) would soon be richer than the one who had only 500*l.* *active Stock* in Trade, and 500*l.* *dead Stock* in a Shop. Coin is part of the dead Stock of a Nation: if the Nation and all its commodities were brought to a sale, its Coin would sell for its value, like the tradesman's fine shop; but as long as it is used by a Nation itself, *as an instrument to buy and sell with*, Coin is as much an expense as the weights and scales, and utensils in Trade of a Shop; and its wear is an expense to a Nation as additional, as the Rent of the Shop and the repairs of it, and of all its utensils, are expenses to a Tradesman. The real wealth of a Nation then, can no more be estimated by the quantity of Money in it, than the real wealth of a Tradesman can be estimated by the fineness of his Shop or by the expensiveness of its utensils and decorations. The real wealth of a Nation in other commodities can no more be ascertained by the quantity of Money in it, than the quantity of all things, sold by measure of length, can be ascertained by the number of *yards used to measure with*, or than the quantity of commodities, sold by weight, can be ascertained by the number of scales and weights in that Nation.

If improvements in giving a greater velocity to the circulation of its quantity of Coin went at a faster pace, in any Nation, than the increase of its wealth in other commodities to be circulated by means of its Coin; that Nation would have, notwithstanding its increased riches in other commodities, a surplus of Coin, which would naturally be thrown out of the channels of circulation and would flow to other Nations, which might have a demand for more Coin: or that surplus would be melted into Bullion and sent into the world of Commerce like any other Metal. So if one Nation should become poorer, or *be falling*, a less quantity of Coins circulating with the same velocity would be necessary in it, because there would be fewer commodities to be circulated with the same power of Money; and if another Nation should become richer, or *be rising*, a greater quantity of Coins circulating with the same velocity would be necessary in it, because there would be more commodities to be circulated with the same power of Money. The surplus Coin of the one would flow to supply the deficiency occasioned by the new demand for Coin in the other Nation. But amidst all these changes of the geographical position of its parts, the great accumulated mass of the Precious Metals in the world would be preserved, and would endure; and under all the variety of changes that may be imagined, though there would be a constant circulation of these similar Coins from Nation to Nation in Europe, each Nation would retain, and must of necessity retain, a sufficient quantity of them for its own use, before the discovery of some medium to supply their place. If these similar Coins, marked with their respective Stamps, passed in common among the Nations of Europe, it would be easy to see the effects of this Circulation from Nation to Nation, by the number of Coins of one Nation that might be observed to abound in another. But the different Nations of Europe, instead of using one similar Coin, with their respective mark or stamp, having made their Coins of such various sizes, and of such various purity, this circulation among them is not obvious. Before the Coins of one Nation can be changed to the size and fineness of those of another, they must be reduced into a state of Bullion or pure Gold. This operation must, therefore, be performed on Coins, either before or after they pass from one Nation to another. It is part of the Doctrine of Exchange to know how to calculate, whether it be safest and cheapest to melt the Coin before exportation, or to purify it in the crucible in its new country. To export Coin, or to melt it, in its parent State, is a high offence in all, and accounted treason in many of the Nations of Europe. Doctors of Exchange, however, do but smile at those Laws, than which none, perhaps, were ever more abortive or useless, or more idly swelled the Statute Books of Nations. The crucible cannot be summoned from the furnace to give evidence of the record, which it defaces in a moment. There is but one way to cause a decay in the Doctrine of Exchange, which is to *mar the profits of the profession.* The most effectual means of doing which will be more properly spoken of hereafter.

A Circulating Medium of the precious Metals necessarily occasions two very considerable expenses to a Nation. *First,* The expense of the quantity of the surplus productions of the land and labour, which must be given for the first purchase of the necessary quantity of the Precious Metals. *Secondly,* the expense of that quantity of those productions, which must be given for the new supplies necessary to repair the continual wear or abrasion of Coins of the Precious Metals in circulation. If a prevention of gain can be called an expense, there is also, *thirdly,* the expense of the profit of a Stock equal in value to the whole Coins of the State or Realm; they being a *dead Stock* to the Nation.

To economize the use of the Precious Metals, for the purpose of making Coins or of constituting a Circulating Medium, must therefore be an important part of the policy of every State, but especially of every Commercial State, and various means have been devised for that purpose. The chief devices or contrivances for that purpose in Great Britain are,

First. *By Means of Credit in open Account,* by which the bartering or exchanging Commodities themselves at a certain estimated price, and paying only the difference of their value in the Circulating Medium, is effected. This Barter of Commodities themselves is such as is effected by the Baker, the Butcher, the Grocer, &c. supplying each other with the productions of their Trades, and paying weekly, monthly, quarterly, or yearly, the *difference or balance of open Account* in the Circulating Medium or Money of the State. Such exchange or barter is effected on a larger scale in some of the branches of the trade of Merchants. If the Insurers of London, for instance, were to deal for Money in their contracts, instead of using the means of *Credit in open account,* many Millions of more Circulating Medium, circulating with the same velocity, would become necessary. An Insurer, when he makes an insurance, does not receive the premium, even though he gives a receipt for it, but sets it down in an *open Account* against the Assured, and receives only the difference between the Losses which may happen and the Premiums. The Losses, which must come to several Millions in a year, may thus be said to be paid, without any money, because upon the whole in the long run, the premiums must exceed the losses, and the Insurer only receives the *difference* in Circulating Medium of the State. If the effects of this means of economizing the use of the Circulating Medium be considered in all the details, which will readily occur to every one, the saving of its use will immediately appear to be immense; especially if it be considered, what a prodigious quantity of money would be required to carry on, for ready money only, all the barters or exchanges, accomplished by means of *Credit and Debit in open Account.*

Secondly. *By means of Credit upon Security,* by which Merchants are enabled to circulate, or to buy and sell other Commodities to one another, or to tradesmen who circulate them in detail among individuals, without the intervention of money at every bargain. This is effected by means of Bills of Exchange and Promissory Notes, granted by the Purchaser to the Seller of Commodities, and payable in the Circulating Medium of the State *at a future day.* These Bills or Notes are passed from Merchant to Merchant *instead of Money of the State,* each Merchant giving an additional engagement to pay the amount to the other, every time the Bill or Note is passed or circulated, in case the original grantor of the Bill or Note should fail of performance of his promise of payment on the future day mentioned in it. If A, a Merchant, buy of B, a Clothier in London, 1000*l.* worth of cloth, and if A in payment grant his promissory note to B for 1000*l.* payable six months after its date; B the clothier, sends C the Manufacturer in Yorkshire this Note in payment of cloth bought by him from C; B adding to the Note his engagement to pay it, if A the Merchant fail of his promise; C, the manufacturer, gives the Note to D, the woolstapler, in payment of wool bought by him from D; C adding to the Note his engagement to pay it, if A and B fail in their promise; D, the woolstapler, gives the Note to F, the farmer, and so on; F sending it into a new circulation, so that, in the six months before it is due, the Promissory Note of A, gaining an additional value each time it is given in payment, may perform the functions of ten, twenty, or fifty times its value; of ten, twenty, or fifty thousand Pounds of Money. Such Promissory Notes (and Bills of Exchange are the same), have, of course, no value but what they derive from the chance of their becoming on a future day, namely, on the day they fall due, of the same value as the Circulating Medium of the State, that is, of the value of so much Gold (no substitute for Gold being yet supposed to be invented *by the State)*. Promissory Notes or Bills of Exchange payable on a future day, by performing the functions of the Circulating Medium of the State, economize the use of it, but they cannot properly be themselves called an addition to the Circulating Medium of the State, as many sensible persons have accounted them. They serve *instead* of the Circulating Medium of the State to those who choose to take them, and use them in payment instead of it, and they are contrivances of *private individuals* to save themselves the expense of Money; but *that* only can properly be called the Circulating Medium of a Nation which is *contrived* by the *State itself*, or made, by *its* authority, legal tender for the payment of debts between its subjects, which comes so nearly to the making whatever it may consist of, legal tender for *every payment*, that the distinction, for the purposes of this inquiry, is not worth attending to.

The State, being aware of the great advantage of Bills of Exchange and Promissory Notes, as means of economizing the use, and thereby preventing the expense, of a great quantity of its Circulating Medium, has given them all the facilities which Laws could invent for furthering that purpose: such, in England, as that every person, whose name is on a Promissory Note or Bill payable at a future day, shall be liable for the whole amount of it, until the holder of it receives twenty lawful Shillings for every Pound Sterling mentioned in it; and such as that no proof of the consideration given for the Bill shall be required (except in a few particular cases) in an action at law, but that the Bill itself shall be held to be evidence of the debt, &c. And, by the courtesy of most of the Nations of Europe, a Note or Bill granted by an individual of one Nation is held to be conclusive proof of the debt due to the individual of another Nation. But Bills of Exchange or Promissory Notes serve only as *substitutes* for the use of the Circulating Medium of the State, and thereby to save the State the expense of maintaining such a

quantity of its Circulating Medium, as without their aid would be necessary. But they are not, in this Inquiry, to be considered any addition to the Circulating Medium, which means always such Circulating Medium of the State itself, as individuals are bound, under pain of forfeiture of their debts, to accept in payment from one another.

These two inventions, for economizing the use of the Circulating Medium of the State, are independent of the velocity of circulation *of Money*. The faster that the Bills and Promissory Notes of private individuals circulate, the more will the Coin or Money of the State be thrown out of the channels of circulation, now filled in greater proportion by these Bills and Promissory Notes of individuals payable at a future day; but these cannot, strictly speaking, be said to give a greater *velocity* to that of which they occasion a less frequent use; they are representatives of other commodities (namely, the commodities bought and sold with them), rather than representatives of Money, and are means of giving velocity to the circulation of *other commodities*, rather than means of giving velocity to the circulation of Money, though their value depends entirely on their becoming of the value of Money, of which they are not *strictly* a representative *till the day they are due*. But what gives velocity to the circulation of other commodities without the use of Money, necessarily spares or economizes the quantity of Money, necessary for circulating other commodities in a State; as much as the giving a greater velocity to the circulation of Money itself, economizes the quantity of it necessary; and what gives velocity to the circulation of other commodities without the use of Money, spares or saves altogether the wear or abrasion of Money. The powerful effects of these two methods of economizing the *use* of the Circulating Medium, will be immediately felt by every one who reflects to what an extent *the Credit in open account*, and *the Credit upon securities payable at a future day*, are carried in this country.

The most powerful invention for giving *velocity to the circulation of Money*, is the contrivance of the Trade of Bankers, with whom individuals deposit Money, and circulate it by means of orders (usually called checks) upon these Bankers, whereby individuals are saved the wear of the Money and the risk of its goodness, which, when once deposited with him, genuine and in full or lawful weight, its maintenance, genuine and in full or lawful weight, becomes the business of the Banker. If 10,000 persons, dealing with one another, have 10 Bankers, besides saving the wear of their Coin, they are, by the exchange of orders on their respective Bankers, saved also the trouble of weighing or counting it, which also becomes the business of the Banker. If the same 10,000 persons, dealing only with one another, have but one Banker, even the Banker is saved the wear of the Money as far as these 10,000 people are concerned, and also the trouble of weighing and counting it: for all he has to do is to write the orders or checks backwards and forwards in a Book among the 10,000 persons, whose Money is thus daily and hourly appropriated by the Book of the Banker among them.

A refinement, in giving velocity to the circulation of the circulating medium of the State, upon the principle of uniting many Bankers into one for their private convenience, is practised by certain of the Bankers of London. There is in the mercantile directory, a list of 79 Bankers in London, 46 only of whom have adopted this plan, and the daily payments, made by those 46 Bankers only for those Merchants and others who deal with *them*, amount on an average to* 4,700,000*l.* If that sum were to be daily paid by Merchant to Merchant, without the intervention of Bankers, and in Coins even of Gold of one Guinea each, the streets of the Metropolis would be crowded with clerks and porters carrying the Money from one habitation to another; and for the whole daily payments of London, an enormous quantity of Coin, even more *than* 4,700,000*l. daily* would probably be wanted: for if A of Wapping owed B of Portman Square 100 Guineas, and B of Portman Square owed C of Whitehall 100 Guineas, and C of Whitehall owed D of Southwark 100 Guineas, to be paid respectively at Portman Square, Whitehall, and in Southwark, at the same certain day and hour; it is quite plain, that no less than 300 Guineas would suffice to make these payments, and so in proportion if a greater number of persons be supposed. To make payments of 4,700,000*l.* a-day in all the varieties of sums that would be necessary among the customers of these 46 Bankers, and to make all the payments in Money, from individual to individual that are now daily made by the rest of the 79 Bankers and the Bank of England, might require 5, 10, *or perhaps even* 20 *times* 4,700,000 *daily*. As the matter is actually contrived however, instead of this vast sum of 4,700,000*l.* of Coin (the magnitude of which the mind cannot, without artificial helps†, form any idea of), being necessarily in daily circulation among the Merchants dealing with these 46 Bankers, those Merchants do not see in their counting-houses a Coin, or any *State* Representative of a Coin, from one end of the year to the other. By the intervention of these 46 Bankers, upon whom drafts or orders are given for every variety of sum, this enormous daily payment amounting,

* Report of Bullion Committee.

† It is curious to observe, that, to count 4,700,000 Guineas, at the rate of a Guinea every Second, and working 12 hours a-day, would employ one person more than 3 months and a half.

in a year of 310 days, to *Fourteen Hundred and Fifty-seven Millions*, instead of requiring 4,700,000*l.* daily, is made by means of the comparatively trifling sum of 220,000*l.* daily, or about *Sixty-eight Millions* yearly, a value, to which the Notes of the Bank of England circulated only 3½ times will more than amount. The Merchants agree, that their orders on their respective Bankers shall not be presented till the end of the day, when these 46 Bankers meet, and settle and exchange all the drafts or orders upon one another, paying each other in Money only the *difference*, which amounts, on an average*, to 220,000*l.* a day. This single example so perfectly illustrates the effect of the velocity of circulation in economizing the quantity, and therefore the first cost and the wear of Money, that nothing further need be added upon that head.

Let it be considered only that the same identical 220,000*l.* of Money of the State, used by these 46 Bankers, will suffice to make the payments of their customers for the whole year, amounting, as before stated, to nearly *one thousand five hundred millions*; and that the same identical 220,000*l.* of Money would, before it was worn out, make these payments for many years; and the power or value which the *velocity of its circulation* gives to Money, *as an instrument to buy and sell with*, will be apparent. If little more than half the Bankers of London pay one thousand five hundred millions yearly for a part of their customers, how much must that yearly sum be increased by what all the seventy Bankers pay? How much must *that* sum again be increased by all the payments in London made without the aid of Bankers? Let it be but considered, that tens and twenties of thousands of millions of payments in a year (46 Bankers paying, for part of their Customers, more than 1400 millions yearly); 70 millions of Revenue, (paid through perhaps six or seven different hands, before they are expended in the payment of Dividends on the public debt, or otherwise in the service of the State); and a vast and almost incalculable number of payments throughout the Country, are all accomplished by means of about 20 millions worth † of Bank Notes; and the power or value given to Money by the velocity of its circulation, will appear most truly astonishing.

Bank Notes for one Pound Sterling will answer to make all payments above ten shillings. If all payments of ten shillings and upwards are now managed in Great Britain, with the help of the degraded Silver Coin and 20 *millions of Bank Notes of the value of* 1*l. and upwards*, so could they be managed with the help of the same degraded Silver Coin and 20 *millions of Gold Coin of the value*

* Report of the Bullion Committee.

† The words "Pounds Sterling" are omitted to avoid repetition.

of 1l. and upwards. If there be a superabundance of Bank Notes, *less* than 20 millions of Coin above the value of 1*l.*; *less*, by the amount of that superabundance, would be sufficient. What are the means of the greatest Nation in Europe and in the World, expending *annually* seventy millions worth of Coin, to sustain, *once for all*, the expense of the purchase even of twenty millions worth of Coin of the value of 1*l.* and upwards, surely no time need be employed in questioning; especially if it be considered, that, from the King on his Throne to the meanest artisan in his dominions, every subject in the State must contribute to the purchase and maintenance of that Coin, because all use the substance of it. There is no public burden so evenly distributed among the members of a State, according to their means and interest in the Commonwealth, as the burden of maintaining the Coins of the Realm; because the Coins of the Realm are used by every one in proportion to his share of its wealth.

If there can be no doubt of the ability of the whole inhabitants of Great Britain to sustain the expense of procuring, *once for all*, Gold enough to make 20 millions worth of Coin, of and above the Value of one Pound Sterling, and the expense of maintaining that quantity of Coin within her Realm, what must be their ability to buy and maintain that proportion of 20 millions of such Coin which would (with the aid of a wholesome and equally valuable substitute for the rest of those 20 millions) suffice to circulate their other commodities? The present Inquiry has hitherto proceeded upon the supposition that no such substitute for the *Coin of the Realm* has yet been invented. If it can be shewn, that a few millions sterling worth of Gold Coin (which is not the value of the fortunes of some two or three individuals of her 16 millions of people) would suffice to keep even 20 millions worth of a Circulating Medium, whose *nominal Value* in Gold Coin should always be its *real Value* in Gold Coin, and yet that no part of those 20 millions worth of Circulating Medium need be made legal tender for the debts of individuals, except that part which consists actually of the Coin of the Realm; it may then be left to any one to determine, both on the ability of Great Britain to procure those few millions of Gold Coin, and on the wisdom and policy of her so doing, rather than continue a system, fraught with the tremendous evils which it has produced, and which, so long as it is itself continued, it will continue to produce.

With the *Credit upon open Account* and *the Credit upon Security*, the two great means *of economizing the use and demand for the Circulating Medium of the State*, the Legislative and Executive Power of Great Britain have never interfered, except to give protection and encouragement to those contrivances; by allowing the set-off in actions at Law, in the first, and by encouraging the Bills and Notes of the second, by the various favouring and protecting laws already noticed. With the invention or contrivance of the Trade of Bankers, *the great means of giving velocity to the circulation, and thereby of further sparing the quantity of the Circulating Medium of the State*, the Legislative or Executive Power of Great Britain had not, until the year 1797, interfered farther, than to limit, in England, the number of partners in the Trade of private Bankers to the number of Six, in order to give a great monopoly to the Bank of England. The Circulating Medium *of the State*, previously to the year 1797, was economized without any direct interposition of the State, merely by these two contrivances for saving the use of it, and by the velocity given to its circulation by means of the Trade of Bankers; and the expense of its first cost and maintenance was consequently thus saved by the inventions, contrivances, and establishments of private individuals only, and those individuals *thus limited.* The policy of the limitation or restraint upon individuals in the Trade of Bankers, and the policy of granting a great monopoly to the Joint Stock Company consisting of 2500 individuals composing the Corporation of the Bank of England, exclusive of other Joint Stock Companies, are subjects well worthy of the serious *re-consideration* of the State.

Previously to the year 1797, the Corporation of the Bank of England and the private Bankers had brought the art of giving *velocity of circulation* to the Money of the State to such perfection, that probably not more than five or six millions of Gold Coin was necessary for the whole kingdom; and there was certainly no country in Europe which circulated its other commodities with so small a proportion of Circulating Medium of the State, as Great Britain, which of course gave her a proportional commercial superiority over other Nations.

In the year 1797, *for reasons of State*, the Coins of the Realm were made of the same Value as the Promissory Notes of the Corporation of the Bank of England, because these Promissory Notes were made legal tender for the payment of debts contracted in the Coins of the Realm. These Promissory Notes have consequently displaced almost the whole of the Coins, which have been melted into Bullion, or sent to Foreign Countries, by the Doctors of Exchange.

Previously to 1797, there were no Notes of the Corporation of the Bank for less than 5*l.*: all payments of 2*l.* 10*s.* and under, must necessarily have been made, in London at least, in Gold Coin, or in *Coin* of some denomination; but that Corporation having issued

Notes for 1*l.* and 2*l.* since that period, the rate at which these 1*l.* and 2*l.* Notes have displaced the Coins formerly used for payments between 1*l.* and 2*l.* 10*s.* may be seen by the rate and times of the increasing issue of these small, but alas, small as they are, *broken promises.*

The average annual amount of Notes of the Bank of England of 1*l.* and under 5*l.* in	1798	was	1,800,000
	1799	—	1,653,000
	1800		———
	1801	—	2,715,000
	1802	—	3,136,000
	1808	—	4,132,000
	1809	—	4,868,000
	1810	—	6,114,000

The Gold Coins used previously to 1797 for payments under 5*l.* might be said to constitute the whole *Gold Coin* of the Kingdom; for payments of and above 5*l.* were then, as now, mostly performed with paper money. But the paper money, used previously to 1797, was not, as it is now, virtually adopted as the money of the State. *The chief reason of State,* assigned in the order of Council, prohibiting the Corporation of the Bank of England from performing its promises to pay at the pleasure of the holder, (which liability to exchange its Notes for the Coins of the Realm, always necessarily maintained those Notes of the same value as their nominal value in those Coins,) was " the apprehension of the want of a sufficient supply of *Cash* " to answer the exigencies of the public service." The national expenditure was then between 40 and 50 millions a year, and the *Cash* in the Bank was stated to be* *a little more than a million,* or enough to defray about 9 or 10 days amount of that yearly expenditure. It surely was time to *apprehend* danger to the State of England, when her Government thought she was to be *saved by retaining such a Treasure, for the exigencies of the public service, in the coffers of the Bank!!* It was both melancholy and mortifying, when a discovery was made of the *real reason,* which produced the order in Council, namely, the inability of the Bank to pay its Notes on account of its having imprudently advanced, on temporary loan, even *more than the whole amount of them,* to the Government of that day; it was indeed mortifying, it may be said, to make a discovery at the same time, of the unworthy pretext so unnecessarily resorted to, in order to conceal the imprudent conduct of the Minister and of the Bank, which had reduced the latter to so degrading a situation. The interference of the Government

* **In an Address to the Proprietors of the Bank, by A. Allardyce, Esq. M. P.**

with so violent a measure, as the order to stop payment, and which has been followed with those evil consequences that have since flowed from it, might easily have been avoided by more *candid* and *gentler measures.* Any Bank which should advance, as the Bank of England had done in 1797, 8½ Millions, *constituting the whole of its promissory Notes,* and two Millions besides of its Coin, (which ought to have been reserved towards the payment of those Notes,) on loan to any Government, which it is easy to know beforehand cannot pay those Notes on *demand,* as the Bank promises to do, must almost inevitably stop payment, when its Notes, paid by the Government to the people, are naturally brought to the Bank for payment in Coin. It was for that cause alone that the Bank of England was forced to stop payment in 1797; for the Order in Council can only be considered by any one who will reflect on its contents, as a *cover,* concerted between the Bank and the Minister, under which to hide the shame, which the exposure of such *unmercantile* transactions must have occasioned to the then Directors of that Corporation. Indeed, after such imprudent management, a stoppage of payment had become, with or without an order in Council, as certain as it was easy to have been foreseen and prevented. An immediate and necessary, but *most important,* consequence of prohibiting the Bank from performing its promises to pay its Notes on demand, was the making those Notes legal tender for the payment of the debts of individuals contracted in the Coins of the Realm; for, as the Coins of the Realm had been driven out of the channels of circulation, and their place filled, through the conduct of the Bank and of the Government, with the promises of the Bank to pay those Coins, *now no longer to be performed,* how could the debts of individuals be paid, *except by means of these promises to pay?* But, before entering into a consideration of the effects of making the Coins of the Realm of no more value than the promissory engagements, *not to be performed,* of the Bank of England to pay them on demand, it may be proper to enter into a more general consideration of the nature of Paper-Money, with a view to endeavour to ascertain the limits to which it can be suffered to extend itself with advantage, and without detriment to individuals and to the state.

PART VI.

Of the Use of Paper Money in the Circulating Medium, as a Substitute for the Precious Metals.

Before the invention of any substitute for the Precious Metals in the Circulating Medium, Coin would naturally diffuse itself, and be established in different quantities in the districts of a Nation, according to the velocity of its Circulation, and the quantity (i. e. value) of other commodities to be circulated in each district, in the same manner as Gold diffuses itself, according to their several demands for it, among the Nations of the World. There is always, for example, more Circulating Medium in Middlesex or Yorkshire than in Sutherland or Ross-shire, for the same reason that there is always more Gold in Great Britain than in Norway or Lapland. The channels of circulation in every Country would always require a certain quantity of Coins to fill them, and the Coins of a Nation would flow and circulate in and among its districts, so that a constant equilibrium would always be maintained among them, which, if it were disturbed, would immediately restore itself.

The collection of the public Taxes, for example, gives a new direction and a greater velocity of Circulation to Money in all the districts of a State, and disturbs this equilibrium. The Coin collected for Public Taxes, if it were to be sent from the different districts of a Country, *in Coin*, to the seat of Government, would flow back, after it had performed its functions in the King's Exchequer, or force other Coin to the districts whence it came; because, if the districts, wherein the Taxes were gathered, maintained no more Coin than was sufficient to circulate the other commodities of their inhabitants before the Taxes were imposed and collected, they could not spare the Coin, taken for Taxes, to be permanently withdrawn from them. That such a reflux of the Coins, taken for Taxes, to the districts whence they flow to the Exchequer, must directly or indirectly take place, will appear more evidently, if all or half of the yearly amount of the Taxes of Great Britian be supposed to be collected and paid into the Exchequer, in one week. To pay half the yearly amount of the Taxes of Great Britain in one week would require probably much more than half of all the Circulating Medium in her Realm. If half the Circulating Medium of all the districts or counties of Great Britain were poured into the Exchequer in one week, it will be obvious to every one, that it must flow back, or force other Circulating Medium to the place whence it came, as soon as it was let loose from the Exchequer; for no district could contrive, and much less could all the districts of the Country contrive, in a single week, to dispense with half of their Circulating Medium. That this reflux would take place will appear with still more irresistible force, if the Taxes be supposed to be remitted to her Exchequer in the present actual Circulating Medium of each district of Great Britain, which, being mostly the paper Money of private Banks, can only circulate to any extent in its parent district. Whatever quantity of

Coin circulating, with a given velocity, be supposed necessary to circulate all the other Commodities of any Nation, *that quantity*, whatever be the State of Foreign Trade, as it would be necessary to the inhabitants of the country for their own use, *must* always be *in* the channels of circulation in the districts of that country; and will no more be taken from any of those channels, and given to Merchants to send to the Inhabitants of Foreign Countries, than any other Commodities, necessary for their own use, to the inhabitants of those districts, will be given to Merchants for that purpose. If, in Great Britain, before the invention of Paper Money, 40 Millions of Gold Coins of the value of a Guinea each, circulating with a given velocity, be supposed *necessary* to make all the daily payments of 10*s.* 6*d.* and upwards, these 40 Millions of Guineas must, while they circulate with that given velocity, be always *in* the channels of circulation throughout the different districts of the Country. If then any mode could be invented to substitute 35 Millions of Paper Guineas for 35 Millions of Guineas in gold, and to maintain the paper of the same value always as the Guineas of gold; the first cost and maintenance of 35 Millions of Guineas would thereby be saved to the State, or, which is the same thing, 35 of the 40 Millions of Guineas in existence might be melted down and sent into the World of Commerce, and thus be taken from the dead and unproductive, and placed in the active and productive, stock of the British Nation. The five Millions of Guineas of gold would be amply sufficient to circulate, that is, to be exchanged at pleasure for, the 35 Millions of Paper Guineas, because the channels of circulation require, under this supposition, *never less* than 40 Millions of Circulating Medium to fill or to *be in* them.

Paper Money, from its capacity of representing large sums in a single piece, and the consequent facility of transporting it from place to place, and the saving of time in weighing or counting Coins, is a great convenience to Merchants; and so long as it is maintained as a true representative of the value of Gold, it is on those, and on many other, accounts (independently of the national advantage of saving the first expense, and the wear or waste of Coin,) a great means of economizing the labour and trouble of the merchant.

The best way in which Paper Money can be maintained as a true representative of Gold, is, by its being made, by some means or other, exchangeable at the pleasure of the Holder, for its nominal value in Coin. Paper Money neither has, nor can have, any value but in proportion as it is a true representative of Coin: but Coin neither has, nor can have, any value but as it is a true representative of Gold: and therefore, Paper Money neither has, nor can have, any value but as it is a true representative, and according to its nominal value, of certain quantities of Gold.

Many of the Sovereigns of Europe have made strange confusion among their Coins, by issuing, in discharge of the debts of the State, paper engagements to pay certain quantities of their Coins at a *future day*, and making, at the same time, by their Laws, these engagements to pay them, at some future day, of equal value with their Coins. By such Laws, their Coins are necessarily brought down to the value of these promises to pay them at some future day. But in proportion as the channels of circulation come gradually to be filled with these Paper Coins, (which are necessarily made legal tender for the payment of debts between their subjects, otherwise those subjects would not consent to receive them at the value of Coin,) the real Coins are, in the same proportion, gradually melted down and exported; because, the channels of circulation being full before the issues of these Paper Coins, these Paper Coins cause the channels of circulation to overflow; and the real Coins to be poured out of them and melted down, and added to the accumulated mass of Gold in the world. A great part of the displaced Gold Coins necessarily flow to Foreign Countries, because Gold diffuses itself uniformly over the world. The Nation, from whose channels of circulation it is thrown out, having no longer a demand for it as Coin, cannot suddenly have a demand for it for Plate; having necessarily been supplied with its demand for Plate, before the forcing of the Coin out of its channels of circulation. The *Gold Coins* are necessarily thrown out of the channels of circulation, because the *Paper Coins* can be made, by a Sovereign, current only in their native country. A Sovereign may enact a Law, which shall make his Coins of no more value than his promises to pay them at a future day; but he must be omnipotent to make this mixture of Gold Coins and Paper Coins (which would thus constitute the Circulating Medium in his dominions) of the value of Gold itself; that must depend upon the prudence with which he manages the issue of Paper Coins. If he issue no more Paper Coins than he displaces Gold Coins from the channels of circulation, his Paper Coins, so long as his people remain in similar circumstances, may continue of the full value of Gold Coins; but if he issue more Paper Coins than enough to fill the channels of circulation in his dominions, it is obvious enough that the Paper Coins can be of no more value than they will exchange for *against the comforts and conveniences of life.* They may indeed, by forced laws, be made to discharge his own existing debts, and those due from his subjects to one another; but he must, as already observed, be omnipotent to make Paper Coins of the value of *Gold at his pleasure*; or of the value, at his pleasure, of any given quantity of the comforts and conveniences of life. The measure of

the value of these Paper Coins, or of the mixture of Gold Coins and Paper Coins, which would constitute the Circulating Medium of the State of that Sovereign, is the quantity of *Gold which they would purchase in his State.* By that standard would his subjects ascertain what was the difference between the real and the nominal value of such a Circulating Medium, and would exchange it, *only according to that value*, for the objects of circulation, namely, the necessaries, the comforts, the conveniences, and the luxuries of life. It would be an unsatisfactory and useless task, to inquire into all the frauds and manœuvres of the different Sovereigns of Europe with respect to their coins: that is the business of the Doctrine of Exchange. Before the interference of the Government of this country, in the year 1797, making, by law, the Paper Promises of the Corporation of the Bank of England equal in value, in payment of debts, to the Coin of the realm, the substitution of Paper for a part of the Circulating Medium was under the happiest regulation. Paper Coin and Gold Coin were exchangeable in common at the pleasure of the holder; they were therefore the price of each other and of equal value. The quantity of the Coins of the Realm necessary to circulate the Paper Coins and all other commodities, was left to economize itself, according to the nature of the pursuits, and according to the genius of the inhabitants of a free country.

The only interference of the Government of England with the issues of Paper Coins, before the year 1797, was the making several successive *Sales*, confirmed by Acts of Parliament, of a Charter to certain individuals, now about 2,500 in number, constituting the Corporation of the Bank of England, erecting them into a Joint Stock Company, and empowering them to deal in Bullion, and to act as Bankers, and prohibiting any number of persons, to a greater number than six, from joining in private Copartneries for carrying on the trade of Bankers in England. Whether the Public, on those successive *sales*, always or *ever* received an adequate *price* for those Privileges, which have enabled that Corporation to make enormous profits at the expense of the Public, will be seen hereafter; but it is not intended, in this Inquiry, to discuss at large the policy of establishing more Joint Stock Companies in the trade of Bankers. Before the interference of the Government, in 1797, prohibiting the payment of its Notes by the Corporation of the Bank of England, these exclusive privileges, though they enabled that Corporation to make enormous profits, were no great inconvenience, but, in many respects, they were a great convenience, to the Public.

If Banks, established either as Joint Stock Companies, or private Copartneries, issue Notes payable in the King's Coin *on* *demand to the bearer*, those Notes can have no value, but what they derive from being true representatives of the quantity of the King's Coin which they promise to pay on demand, and from their being exchangeable for that quantity when carried to the Bank at the pleasure of the holder. And it must always be remembered, *that the King's Coin has no value; but as it is a true representative of the quantity of Gold, declared by his Proclamation to be contained in it.* If a Bank has once established its credit, it may circulate a great many Notes payable in the King's Coin on demand to the bearer, by means of a quantity of that Coin comparatively very small. A Bank must have its foundation in the wealth of its proprietors and in the *confidence of its employers.* If it issue no Note payable on demand (as the Corporation of the Bank of England professes not to do in its transactions with individuals) for any security which has longer to run than two months; however great might be the distress of a Bank for *two months*, if it be really solvent, and has lent its Notes only to solvent customers, at the end of *two months* the whole of its Notes would again be returned to it, and all its creditors paid to the full. If a Bank never issued any Note for a less sum than 100*l.* the dealers with that Bank could only be Merchants or persons of some consideration; and, if it never issued a Note for less than 10*l.* no person, but such as have payments of 10*l.* to make, could be dealers with that Bank; and these, to any considerable extent of dealings, must be persons of considerable property.

A Bank has, by means of limiting the nominal value of its separate Notes, the choice of its customers. The greatest evil which a Bank has to dread is, what is called, a *Run* upon it. This may be produced by a want of confidence in the Bank, or by the fear of a Foreign Enemy; but, if the Bank has acted prudently, as a Run is an evil *inseparable from the nature of Banks*, the way to restore and insure confidence is to disclose its affairs to its customers, who for their own interest will wait till the Bank can recover itself; which, under the supposition of its issuing no Notes upon securities having longer than two months to run, can never be longer than *two months.* If the principal Nobility and Gentry, or Merchants, of any place, agree to take the Notes of a Bank in case of a *Run* upon it, those persons, who have Money to pay to those Nobility and Gentry or Merchants, will take its Notes; and no Bank, so long as it acts with *common prudence*, and provided its partners be persons of property and respectability, need ever fear the consequence of what is called a *Run* upon it.

One advantage has resulted from the law prohibiting the payment of the Notes of the Bank of England, and making those Notes of equal value with the King's Coins; namely, that that Law has shewn, what quantity of the King's Coins of 1*l.* and up-

wards would suffice, with the aid of the inferior Coins, to make, in the actual circumstances of the circulation of Money and commodities, *all legal* payments of *ten Shillings and upwards, throughout the whole of Great Britain.* To such perfection has the credit in open account, and the credit upon security, been brought in *economizing or sparing the use* of the Circulating Medium of the State, and to such value has that Circulating Medium, *as the instrument of circulation*, been multiplied by *the velocity given to its circulation* by the contrivance or invention of the trade of Bankers, that 20 Millions of Pounds of Bank Notes are found sufficient, with the aid of the inferior Coins, even in the wretched state in which they are at present, to make *every* legal payment above 10*s.* throughout all Great Britain. That these 20 millions of Bank Notes do suffice for such payment cannot be denied, for there is *now* in Great Britain no other Circulating Medium, Money, or instrument, to answer legal demands, that is, to make such payments; the Coins above the value of Silver Coins having entirely disappeared from the channels of circulation. It has already been observed, that *less* than 20 millions of Pounds Sterling of Coin, or even of these Bank Notes (*if individuals must be forced to receive them from one another,*) of one Pound and upwards, would suffice to make *all* such payments of 10*s.* and upwards; *less*, by as much as these 20 millions of Pounds of Bank Notes must be diminished in number, for the purpose of bringing them back to the value of *legal Pounds Sterling.*

That the Bank of England could circulate 15 millions of Pounds *Sterling worth* of Bank Notes, (if so many were wanted,) with 5 millions worth of Gold Coin existing in the general circulation of the country, will be obvious enough, if it be considered that the channels of circulation, including the Bank of England, must always require the 20 millions worth of Circulating Medium, constituted by the 15 millions of Paper and 5 millions of Coin taken together, before the 15 millions worth of Paper can find existence or place in those channels of circulation. When 15 millions worth of Bank Paper has displaced 15 millions worth of Coin from the channels of circulation of commodities and Money, and established themselves in its place, how can that circulation be kept up in these channels without 15 millions of Circulating Medium, which the nature of things requires to be continually *in them?* Before these 15 millions of Bank Notes therefore could be brought, all at once, to the Bank to be exchanged for *Coin of the State*, the channels of circulation must be, *all at once*, supplied with 15 millions of something else in their stead, which is *impossible*, because the Coin must have been melted and diffused among the accumulated mass of Gold in the world, when it was first displaced from the channels of circulation. As many notes would be continually brought to the Bank to be exchanged for Coin, as should always keep up a circulation of the Notes and the Coins, which would maintain them *always* of equal value; for if the Bank attempted to throw more Notes into the channels of circulation, than Circulating Medium was required in them, those channels would overflow: and as there would be a disturbance of that due proportion which must always be maintained between the quantity of Coin and the quantity of Notes in the channels of circulation, *while Notes are exchangeable for Coin at the pleasure of the holder*, the Notes and not the Coin would be poured out, and brought to the Bank to be converted into Coin. The Bank would thus find itself *always* limited in its power of throwing Notes into the channels of circulation, by its power of maintaining them in those channels, as the overflowing would always be brought to it for Coin. *The issuing of Notes constitutes the profit of a Bank*, but if its Notes were payable on demand in Coins of the Realm, it could never issue more Notes than it displaced Coins of the Realm from the channels of circulation, and its Notes would therefore be always equal in value to, because exchangeable at pleasure for, the Coins of the Realm. To say, that the Notes of the Bank of England are at present of the same Value as the Coins of the Realm, is mere mockery: the Law virtually says, that the Coins of the Realm shall be of no more value than the Notes of the Bank of England. Those Notes can be had for Guineas, if any body had any Guineas to offer for them, but can Guineas or any other *legal* Coin be had for those Notes? It is just as if the inhabitants of a Nation, visited with a *famine*, were to be told that Bread (of which there is of course none to be had) is, *in that Country*, of the value of so much a loaf. Before the invention and use of Paper Money, if Coins were to be made, in one piece of Gold, of the value of 10*l*, 50*l*, 100*l*, and so on to 1000*l*. each, those Coins would circulate only in channels, where commodities of such value were bought and sold. Coins of 1000*l*. would, perhaps, never, and Coins of 100*l*. or even of 10*l*, would be but rarely seen in Shetland, in the Orkneys, or in the Highlands of Scotland; but such Coins might abound in London, Middlesex, or Yorkshire. In the same manner, the Notes of the Bank of England for 1*l*, 2*l*, and 5*l*, circulate in very different channels from Notes for 10*l*, 20*l*, and 50*l*, and these again in very different channels from Notes for 100*l*, 500*l*, or 1000*l*. each. To circulate all its Notes of 5*l*. and upwards, as well as with the aid of the inferior Coins, to make all payments under 2*l*. 10*s*, the Bank has had occasion to coin Notes under 5*l*. to the amount of only six millions. The rate at which these Notes have gradually and progressively displaced the Royal Coin of one Guinea and upwards, and all the Gold

Coin, has already been shewn * by the account of the gradual and progressive increase of the Paper Coin of 1*l*. and 2*l*.; which, having now been established for 14 years, has no doubt produced its full effect in displacing the Gold Coin.

One million at least may be deducted from the Six, as superabundance occasioning their depreciation, and arising from the unlimited power exercised by the Bank of issuing these paper Coins. Five millions of *Coins* then, of the value of 1*l*. and under 5*l*. would suffice, with the aid of the degraded Silver and inferior Coins now in use, to make all the payments of 10*s*. and under 2*l*. 10*s*, and to circulate all the Notes of the Bank of England of and above the value of 5*l*, if they were again brought within their proper limit; for six millions of depreciated Bank Notes now perform that office. And yet there *are* reasoners, who would endeavour to persuade us, that it is the wiser policy of this great and powerful Nation, to give currency, by Law, to Paper Money of the worst kind, namely, to the Promissory Notes of a Corporation of twenty-five hundred individuals, *not liable for payment with the whole of their fortunes*, and who pay their engagements only with *promises to pay*, rather than incur the expense of maintaining this small mass of Gold Coin. A mass small, because the private fortunes of some two or three of its subjects would procure it from the great mass accumulated in the world, and which it will hereafter be seen, ought in common justice to be procured by the Corporation of the Bank out of its enormous profits. These reasoners would persuade us, that it is the interest of the State, and that it is *necessary* to carry on the business of the State, that her Finance Minister should truckle, as it were, with the Directors of such a Company for *its favour and assistance*.

The privilege of *coining* is one the most ancient prerogatives of the Crown†. *But now*, if the public is to be supplied only with Bank "Tokens" for inferior payments, the great privilege and Royal prerogative of coining seems to be transferred from the Crown to these twenty-five hundred individuals; and if things go on in this way, even this generation may live to see the day when the Proclamation of the King of England may be prostituted to give currency to Coins, from the Mint, of this Corporation. It has already placed "the Royal Image and Superscription" on Coins, which it modestly calls "Tokens," and has proposed, that the quantity of Silver contained in each of them should pass current, among the King's subjects, for

* See Pape 54.

† Reckoned *Inter Jura Majestatis*, and one special part of the King's Prerogative, by Sir M. Hale.

five shillings and a half, and which quantity of Silver, even the Sovereign himself cannot, by the Laws of the land, make into Coins that shall pass current among his subjects for more than four shillings and one third. If even the King should issue from *his Royal Mint* Coins of less than their lawful weight, the Law of the land commands the Magistrates of his Kingdom to cut and break them in pieces. Yet the Corporation of the Bank issues, from "*Thread-needle Street,*" Coins of less than lawful weight, and impresses them with "the Royal Image and Superscription," *with impunity!* Whether sanctioned by those who administer the Government of the Country, or not; where are the privileges assumed by this Corporation, this Joint Stock Company, these twenty-five hundred individuals, to be stopped? The late Earl of Liverpool, quoting from Sir Matthew Hale, says, "the "Monarchs of this Kingdom have occasionally conferred this "right" (of Coinage) "by special charters on divers *ecclesias-* "*tical* corporations, such as the Archbishops of Canterbury "and York, the Bishop of Durham, &c., and on some of the "most dignified Abbots." But Sir Matthew Hale adds, "that "they had only the profit of coinage and the residence of some "moneyers at their cities, &c. and that they had not the power "of instituting either *the alloy, the denomination, or the Stamp.* "The Stamps were usually sent to them by the Treasurer and "Barons of the Exchequer, by the King's command, *under his* "*great Seal*; and the Masters of these Mints, or the chief "Officers employed therein, were sworn to the King for the "just execution of their offices. It appears from the Coins "made in these Mints, which have been preserved, that they "were in general of the smaller denominations; and it is pro- "bable that the right of coining, which was given to them, by "these charters, was restrained to pieces of this description: "*but the practice of devolving this right of coining Gold and* "*Silver, to the corporations before mentioned, has never been* "*exercised since the reign of Edward VI.*"

That the Notes of the Bank of England are now, and long have been, *virtually* depreciated below their nominal value, no one, who will seriously reflect on the matter, can doubt. A Guinea, and a Bank Note for a Guinea, are indeed of the same value, but the Bank Note is not brought up to the value of the Guinea, the Guinea is brought down to the value of the Bank Note. The Corporation of the Bank of England having unlimited powers to issue Notes, *without paying them*, may bring this depreciation to any extent. As it has already been frequently observed, the Bank is attempting to obtain the consent of the public to reduce the Pound Sterling to 15*s.* 9*d.* in weight and value of the King's Coins: such an attempt it is high time

to prevent*. The depreciation of the Circulating Medium, from a superabundance of Paper Money, has been so ably explained in many late ingenious Publications, that it is mere repetition to re-state it. Forty-four Guineas and a half, (or 46*l.* 14*s.* 6*d.*) make a Pound weight of Sterling Gold. Such a Pound of Gold costs at present, in the market, 54*l.* 12*s.* in Bank Notes or in coined Guineas; and it is of course the same price, whether paid for in Guineas, or in Bank Notes, because the Law of the Land virtually makes Guineas and Bank Notes for Guineas of the same value.

Here then is in one scale of a balance a Pound of Guineas, in the other scale a Pound of Gold of the same fineness; two things similar in all the qualities that give them value: one exchanging for 54*l.* 12*s.* of the Circulating Medium of Great Britain, and the other for 46*l.* 14*s.* 6*d.* of the same Circulating Medium. Things which are similar in value to one another, cannot, reasoning *a priori*, be measured by different quantities or values of any other thing. Why then, while a Pound weight of Gold is worth $54\frac{24}{40}$ of a thing, is a Pound weight of the same Gold *in Guineas* worth no more than $46\frac{29}{40}$ of the same thing? It is because the LAW will have it so. The Pound weight of Guineas is, *by the Law*, of no more value than the Bank Notes for 46*l.* 14*s.* 6*d.* Break the fetters of the Law, and the Pound weight of Guineas resumes the value of Gold. Has a miracle been performed in the melting pot? Melt the *uncoined Gold*, and will it come out of the crucible brought down to the value of Guineas? It will remain the same, a Pound of Gold. Why then should the Guineas, which are a Pound of similar Gold, alter 8*l.* in value by the melting? Why, but that they are no longer stamped with that splendid impression which binds them to the value of a Bank Note? It is easy to be satisfied that Guineas, when there is a gain of 8*l.* in the Pound weight by the operation, must all be melted, and probably there is not now half a Million of Guineas in all Great Britain. A Bank Note, or any Paper Coin, neither has nor can have any value, but what it derives from being a true representative, not merely of the Coins of the Realm, but of a certain quantity of Gold; because the Coins of the Realm have themselves, and can have, no value but what they derive from being a true representative of the quantity of Gold declared,

* "The Parliament and the People, in their addresses to Queen Elizabeth, "always mentioned the reformation of the Coin," *(which was then the only Circulating Medium,)* "after that of religion, as one of the principal merits of "her reign, and it is recorded as such in the Epitaph on her Tomb. Her "Historian Camden calls the measure, *Magnum, sane et memorandum, quod* "*neque Edwardus potuit nec Maria ausa.*" Lord Liverpool's Letter to the King.

by the King's Proclamation, to be contained in them. If Bank Notes be equal to their nominal value in Gold, and the Bank have an unlimited power to coin them, the Bank Directors are indeed Alchymists. To see in what manner the evil of the depreciation of the Circulating Medium, produced by the Alchymy of the Bank can be remedied, it may be proper to make a short Inquiry into the nature and present state of that Institution.

PART VII.

A brief Account of the Bank of England; and an Inquiry into the Causes which produced, and into the Measures which would have rendered unnecessary, the Order in Council, afterwards confirmed by Law, for the Stoppage of Payment in the King's Coin, on demand, of its Promissory Notes; with an Estimate of the Profits since gained in consequence of that Measure by that Corporation, and some Remarks on that Estimate.

EXCEPTING the last part of the subject, these matters were so well explained by Mr. Allardyce*, in his Addresses to the Proprietors of the Bank of England, published in 1798 and 1801, in order to compel a division of the surplus Profits accumulated by the Corporation, contrary to the conditions of its Charter, that little can be added to what he has said. The following short account of that Corporation is extracted from the Appendix to his Postcript, p. 130.

"The Bank of England was established in the year 1694. The Charter is dated 27th day of July, 1694.

"William Paterson was the projector of the Bank of England. He imparted his scheme to Michael Godfrey, a gentleman of great consideration in the city, and it was often the subject of discussion at a club which they frequented in Friday-street. It met with much opposition. Some thought it might be converted into a job or bubble, as many other projects had been in these days; others, that it might be made an instrument in the hands of designing men to overturn the Government, then but recently established; and some thought, that, by the influence which Government might acquire over the Bank, it might be made an engine for subverting the liberties of the people.

"Many obstacles presented themselves against the scheme, to some of which the projectors were obliged to yield, and others they surmounted.

"That the public might not suffer by its being made a job, it was agreed, that the capital subscribed of 1,200,000*l.* should

* A deceased Member of the Corporation and a Member of Parliament.

be paid into the Exchequer, and that the *Bank should be restricted from contracting debts to a larger amount than that sum*. On this capital Government agreed to allow an interest at the rate of eight per cent. per annum, with the sum of 4,000*l.*, in name of house-expenses, making together an annual sum of 100,000*l.*

"The charter recites, that, for securing certain advantages and recompenses mentioned in the Act of 5th of William and Mary, chap. 20, to such persons as should voluntarily advance a certain sum for carrying on the war against France, the royal power (William and Mary) would, as soon as the sum of 1,200,000*l.* should be subscribed, as aforesaid, grant and make forth their royal charter, under the great seal of England, and thereby incorporate all and every such subscribers to be one body corporate and politic, by the name of the Governor and Company of the Bank of England, with such powers, capacities, &c. and subject to such rules, restrictions, &c. as therein mentioned.

"And, in order that the Bank should be as little connected with, and under the influence of, Government as possible, it is enacted by the 5th of William and Mary, chap. 20, that they shall not purchase any land or revenue belonging to the crown, *or advance or lend to their Majesties, their heirs or successors, any sum or sums of money, by way of loan or subscription, on any part of the revenue, other than any part on which a credit of loan is or shall be granted by Parliament.*

"And, in order that the Company might not accumulate funds which might be employed to bad purposes, the Act of the 7th year of Queen Anne, chap. 7, section 63, directs, that *all* the profits *shall be divided, half-yearly, among the partners, for the time being, in proportion to their shares.* And this was a wise provision; for, if the sum of 50,000*l.* (a sum comparatively small to the profits of the Company) had been set aside, each year, for the first fifty-three years, from the first establishment of the Bank, and the sum of 100,000*l.* a-year, for the next fifty years, to the present time, and had been allowed to accumulate at legal compound interest, they would have amounted at this time to a sum much beyond one hundred millions.

"The Legislature has prohibited the Bank from making any accumulations in that way; but, when an increase of capital at any time seemed necessary, it never prevented them from increasing their capital by subscription; *taking care, however, that such additional capital should be pledged in the hands of Government*: and this capital has from time to time been increased till it now amounts to 11,642,400*l.* on which a dividend is "now paid half-yearly, to the Proprietors, at the rate of seven per "cent. per ann. which amounts to 814,968*l.* per ann. and the "Government's permanent debt is now increased to 11,686,800*l.*, "being 44,400*l.* more than the capital on which the Bank di-"vides; and the interest from Government, having been re-"duced from eight per cent. which it was originally, to three "per cent. per ann. is now 350,604*l.*

"The Bank of England has, in former times, been in dan-"ger; but the Directors had always been successful in their "precautions to avert it. In the Rebellion, in the year 1745, "the sudden irruption of a small corps of half-clothed, half-"armed, and undisciplined Highlanders, had struck a panic in-"to the country. They had penetrated as far as Derby, within "126 miles of the capital. This produced a run upon the "Bank for specie; and it was reduced to the expedient of mak-"ing its payments in silver, chiefly in shillings and sixpences, "with which the Directors were provided, in order to gain "time, till they were prepared to set on foot an association, for "the support of the Bank, which was entered into, at a meet-"ing held at Garraway's Coffee-House, by the most eminent "merchants, considerable traders, and proprietors of the public "funds, on Thursday, 26 September, 1745, to the following "tenor:

"We, the undersigned, merchants, and others, being sensible how "necessary the preservation of public credit is at this time, "do hereby declare, that we will not refuse to receive Bank "Notes in payment of any sum of money to be paid to us; "and we will use our utmost endeavours to make all our pay-"ments in the same manner.

"By four o'clock in the afternoon, 1,140 had signed it. "This measure gave immediate relief to the Bank. At this "time, the dividend was 5½ per cent.; Bank-stock sold at 141 "per cent.; 3 per cents. at 85.

"A resolution of the same kind, and expressed exactly in the "same words, was entered into, by the merchants and bankers "of London, on 27 February, 1797, *after* the Bank had suspended "its payments in Cash. It was signed by above 2000 respect-"able names.

"On the 27th day of February, 1797, a new æra commenced "in the history of the Bank of England, and an Act of Par-"liament was passed in that year, restricting the Bank from "making payments in specie till one month after the signing of "a definitive treaty of peace."

From this account it would appear, that the Capital of the Bank was retained in the hands of the Public, as a security for the prudence and good conduct of the Corporation, and as a

security to its Creditors in case of failure; since the Bank was restricted from incurring debts beyond the amount of the Capital deposited with the Public, the individual Proprietors of that Capital or Joint Stock, not being liable, in case of failure, for more than each for his Share of the deposited Capital. The Promissory Notes *alone* of the Bank in circulation with the Public, and which of course constitute a Debt of the Bank, now amount to nearly *three times the value of the deposited Capital*, exclusive of the Debt due by the Bank for the deposit of Ten Millions*, on an average, of Public Money, usually supposed to be lying in the Coffers of the Bank, but which, like private Bankers, it is constantly turning to account; and, exclusive of the Debts due by the Bank for deposits made by private individuals, which are turned to account in like manner: for the security of all which, there is none other, besides the *prudence and good management* of the Company except the deposited Capital of 11,686,800*l.* 3 per cent. Stock, which is at the present price of 65 per cent. worth 7,596,420*l.*; not, perhaps, more than half enough to secure, *in case of a failure of the Bank*, the sum always due from it to the public Treasurers and Accountants for the balances, and ordered to be paid by them for greater safety into the Bank, and to secure the unclaimed Dividends on the public Stock, which are turned by the Bank to account in like manner. The profits of the Bank, when stated to arise *merely from the number of its Notes in circulation* amounting to upwards of 20 Millions, are thought by some to be enormous; those profits shall be a little further examined into hereafter. The Order in Council, directing the Bank to stop Payment of its Notes in the King's Coin, was made public on the 27th Feb. 1797, and the *reason* given for it in that order was, as has already been stated, "the apprehension "of the want of a sufficient supply of *Cash* to answer the "exigencies of the public service."

* Mr. Huskisson's "Question stated and examined," *and ably stated and examined*.

The following was the state of the affairs of the Bank* on 27th Feb. 1797:

This Account made up to the 25th of February, 1797, inclusive.

Dr.		Cr.	
To Bank-notes out	£8,640,250	By advances on Government securities, viz. on land and malt, 1794, 1795, 1796, and 1797, on Exchequer-bills, Treasury-bills of Exchange, and interest due -	£10,672,490
To other debts, viz. Drawing-accounts Audit-roll, Exchequer-bills deposited, and various other debts - -	5,130,140		
	£13,770,390		
Balance of surplus in favour in the Bank, exclusive of the debt from Government to the Bank at 3 per cent. which is a pledge for the capital,	3,826,890	By all other credits, viz. cash & bullion, bills discounted, money lent, and various other articles - - -	6,924,790
	£17,597,280		£17,597,280
		By the permanent debt due from Government for the capital of the Bank, at 3 per cent. per annum - - -	£11,686,800

(Errors excepted.)

Bank of England, 4th March, 1797. (Signed) WM. WALTON, Deputy-Account.

From this account it appears,

First, That the Bank had infringed the spirit of its Charter, by lending, directly or indirectly, 10,672,490*l.* to the Government, and part of the sum on *Treasury Bills of Exchange* not issued by authority of Parliament.

Secondly, That it had infringed both the spirit and the letter of its Charter, by accumulating profits to the amount of 3,826,890*l.*, instead of dividing the same half yearly among the proprietors as they accrued.

Thirdly, That it had incurred debts, reckoning the value of the deposited capital at the then price of Stocks, to the amount of more than double the value of that capital.

Fourthly, It will appear, that the Bank had paid, comparatively, but little attention to the Mercantile Interest, for from the *Scale of Cash and Discount*, given in to the Lord's Committee of Secrecy, in what is called, in a paper inserted by Mr. Allardyce in his publication, "a set of cabalistical numbers," the author of that paper made calculations "introducing the public a little

* Report of the Lords' Committee of Secrecy, 1797.

"further into the secret recesses of the Bank than their au-"thors intended." Which calculations, as they have, (so far as is known) stood uncontradicted, and carry with them strong internal evidence of their truth, must be held as unquestionable authority.

The following table was the result of these calculations, on which their author makes the following remarks.

Date.	*Cash and Bullion.*	*Average of Bank Notes circulated.*	*Bills Discounted.*	*Average Advances to Government.*
1793. March	3,508,000	11,963,820	4,817,000	8,735,200
June	4,412,000	12,100,650	5,128,000	9,434,000
Sept.	6,836,000	10,938,620	2,065,000	9,455,700
Dec.	7,720,000	10,967,310	1,976,000	8,887,500
1794. March	8,608,000	11,159,720	2,908,000	8,494,100
June	8,208,000	10,366,450	3,263,000	7,735,800
Sept.	8,096,000	10,343,940	2,000,000	6,779,800
Dec.	7,768,000	10,927,970	1,887,000	7,545,100
1795. March	7,940,000	12,432,240	2,287,000	9,773,700
June	7,356,000	10,912,680	3,485,000	10,879,700
Sept.	5,792,000	11,034,790	1,887,000	10,197,600
Dec.	4,000,000	11,608,670	3,109,000	10,863,100
1796. March	2,972,000	10,824,150	2,820,000	11,351,000
June	2,582,000	10,770,200	3,730,000	11,269,700
Sept.	2,532,000	9,720,440	3,352,000	9,901,100
Dec.	2,508,000	9,645,710	3,796,000	9,511,400
1797. Feb. 26	1,272,000	8,640,250	2,905,000	10,672,490

"It is curious to observe, from this Table, what little service "the Bank of England has rendered to the commercial interest "of this kingdom, and of how much less importance its concerns "are to the real welfare of the state, than the pride and credulity "of the nation had always imagined them to be. Accustomed to "soothe our vanity with the idea of the immensity of the Bank, "both as to its credit and the extent of its transactions, what sur-"prise must we feel, in finding that this credit, before the last "year, had seldom exceeded three or four millions, and that the "concerns, which we had represented to ourselves as of so much "consequence to our trade and manufactures, were limited to "discounts still more trifling and inconsiderable! How must our "lofty sentiments of the wisdom and greatness of this Company "be depressed by learning that their Notes, to which we hardly "dared to assign any limits, have seldom amounted to 12,000,000*l.* "and that often this Circulating Paper has been very nearly "equalled by the hoards of Cash and Bullion in the Coffers of the "Bank! We had hitherto been led to believe that the tottering "foundations of private credit had, on many occasions, been "upheld by the support of this Company; and particularly that "the assistance, which they had given to our Commercial "difficulties in the year 1793, was an exertion almost too bold "even for their stupendous resources. But if the amount of "our Exports and Imports be accurately stated by the Officers "of the Customs, how inconsiderable does this assistance appear "to have been! I think the preceding statements incontestably "prove that neither our Foreign Trade nor our Commercial "Intercourse at home have derived much advantage from the "operations of this Bank. Its chief energies have been unequi-"vocally directed to another quarter. The advances to Govern-"ment have generally been four or five times greater than the "private Discounts; and it is evident, that, in proportion as the "former are extended, the ability to increase the latter must be "diminished. I shall not enter into the propriety of assisting "Trade by such an institution. I only mean in this Paper to "shew, that, if our Merchants and Manufacturers wanted such "support, they have been very scantily supplied with it by the "Bank. To those who are ignorant of the Nature of this estab-"lishment, and who look over the foregoing Statements with the "least attention, it must appear as if its principal purpose had "been to enable a Minister to lavish the public Revenue much "faster than it could ever be collected; and to furnish him with "the means of engaging in the most extravagant and ruinous "expense, before his prodigality could be submitted to the de-"liberation of Parliament.

"*London, Oct.* 16, 1797. "M. N."

From these accounts it is clear, that the order for the Bank to stop payment of its Notes in the Coin of the Realm, arose, in 1797, entirely and solely from the imprudence it had been guilty of, in advancing to the Government of that day a sum, exceeding, as appears on the face of the Account, by more than two millions, the whole amount of the Promissory Notes of the Corporation then in circulation. *Such* an advance the Bank *could not* have made, had it not, contrary to its Charter, *accumulated profits*, (and it may be asked by the way, at whose expense such enormous profits had been made,) then amounting to nearly *four Millions*, without withdrawing its Notes *entirely* from the purpose of discounting for the Mercantile Interest. The Bank had, in fact, as it clearly appears, lent in 1797 to the Government of that day, not only the *whole of its Promissory Notes* then in circulation, but, also, more than two Millions either of those accumulated and enormous profits besides, or else more than two Millions of the Money *deposited with it for better security* by private individuals. When its Notes, then lent to the Government and sent into circulation by it, were presented to the Bank, according to their tenor, for Payment in the Coin of the Realm

on demand; as the Government (to which they had been issued by the Bank and by it to the Public) had no immediate means of repaying at all, much less of repaying in Bullion or Coin, any part of the amount of these Notes thus improvidently issued; and as the Bullion and Coin in the Bank were then, by these imprudent issues of its Notes, reduced to only a little more than a *single Million*, while the demands against it, payable in Coin on demand, were nearly *Fourteen Millions* *, the Payment of its Notes in Coin, as there was then a Run upon it, became *literally impossible.* On this Mr. Allardyce observes:

"Had the Directors of the Bank made their wheel of mer-"cantile discount, which revolves upon its axis once every sixty "days, go round with one constant uniform and regular motion, "taking up none but good *bona fide* paper, having, what it gave "out yesterday, re-paid to it in two months from yesterday; what "it gives out to-morrow, re-paid to-morrow two months; and "so on; there would be little danger of over-loading the wheel: "and, if it so happened, being under control, it could be easily "regulated; it would perform its rotations with ease and safety "to the Bank and great advantage to the nation. But when the "Directors connect this wheel, by a back-band, with a wheel at "the Treasury, which performs its revolutions only once in three "years, and goes by jirks and starts, and very irregular motions, "they confound all method and order, and reduce the Bank to "a disability of performing its natural functions.

"Unless the accommodation given to the commercial interest, "by the discount of mercantile bills, be constant, uniform, and "regular, it can be of little use, and may be of great detriment: "for, Merchants, finding that liberal accommodation is given at "one time and withheld at another, know not on which to depend; "if they enter into engagements, the unsteady conduct of the "Bank, may lead them into difficulty in fulfilling them, and they "will not trust to such precarious assistance; so that the Bank, "by doing things by halves, does little better than nothing at all."

Some remarks have already been made on the conduct which the Government of the day, in 1797, and the Bank, pursued when they discovered the degrading condition to which the Bank had by its imprudence reduced itself. Had the Bank had recourse to the Merchants *before*, instead of *after*, the order for stopping Payment was made, such an order would never have been necessary. There were, in 1797, no Notes of the Bank of England under the value of 5*l.* there was, therefore, Specie enough of some sort or other in the channels of Circulation, to make all Payments of and under 2*l.* 10*s.* If the nobility and gentry, or even the Merchants alone, had agreed to take the Notes of the Bank of England, till it had recovered itself by the Government's having time to repay it, which there can be no doubt that the *Merchants* at least would have done, on a disclosure of the

* See the Account at Page 70.

state of its affairs, for their *own sakes*, as well as to preserve the credit of the Bank; then all those, who had money to pay to the Merchants, would have taken the Notes of the Bank also: and, as the Bank had never then issued any Note less than 5*l.* a Run could not have been made upon it *by the Mob.* The stoppage of Payment in Coin, by the Bank, took place on the 27th Feb. 1797, and that Corporation soon began to issue Notes of 1*l.* and 2*l.* by which means, it gained the profit of supplying Circulating Medium to the whole country for all Payments of and above *ten* Shillings; while, before the year 1797, it had only been permitted to furnish Circulating Medium for Payments of and above *fifty* Shillings, and those only to such an extent as it was able to do paying its Notes on demand in the King's Coin, to the bearer. It was not allowed, *as it is now*, to assume the Royal Prerogative of Coining, it was merely allowed to substitute its Paper, *but not for less than 5l.* for the King's Coin, as long as it could find *means to exchange that Paper for the King's Coin on demand.*

There can be no doubt, but that the Account*, shewing the progressive increase of Bank Notes under 5*l.*, shews also the progressive rate at which Guineas and all the Gold Coins have been melted, and at the same time proves the truth of the supposition, (allowing for the excessive issue of Bank Notes) that five Millions worth of Gold Coin would be amply sufficient, at the velocity with which the Circulating Medium of Great Britain now actually revolves, to support, with the aid only of the present degraded inferior Coins, the whole of a healthy Circulating Medium of Paper Money and Coin, which should always be exchangeable for each other at the pleasure of the holder, and which would therefore always be of equal value. If six millions worth of Paper Coin now performs the functions of all the Circulating Medium necessary to exist in Coins of 1*l.* and under 5*l.*; so would six millions worth of Gold Coin of that value, or any other Coin, made legal tender, of that value. Surely there exists in the economy of Money a principle, the application of which would retain *such a quantity* of Coin in Great Britain; and genius enough in her legislature to discover, and with wisdom to apply, that principle: and most surely Britain is not *yet* in such poverty, as to be unable to procure *such a sum*, nor is she *yet* reduced to so abject a state, that she must depend on the pleasure and caprice of any Joint Stock Corporation for supplying her with Coin; especially as, from the King to the day-labourer, every subject of the Realm must contribute his due proportion of the expense of maintaining the Coin, which, until *now*, it has always been the *Royal Prerogative* to issue. Should that Prerogative be torn from the Crown and transferred to the Corporation† of the Bank of

* See Page 54.

† N. B. The Bank have no authority from *Parliament* for coining "Tokens."

England? Before considering the means of maintaining the King's Coin within his Realm, let the capital of the Bank and its profits since 1797, be a little farther examined. Its lawful capital deposited with and due to it by the Public, ought in truth to be considered only as 11,686,800*l.* 3 per Cent. Stock, which, if it were delivered by the public to the Corporation, would sell at the present price of 65*l.* per cent. for 7,596,420*l.* sterling; and is the property of about 2,500 individuals. This sum of 7½ millions sterling ought in truth to be considered as the whole *legal Capital* of the Bank, and the Public *is no more obliged* to the twenty-five hundred Persons, who hold this sum of 11½ Millions of 3 per Cent. Stock, than it is obliged to the holders of every other Sum of 11½ Millions of 3 per Cent. Stock; and every set of holders of 11½ Millions of the Public debt of 600 Millions of Stocks is equally entitled to public favour, as that set which holds the 11½ Millions due to the Bank, namely, the Proprietors of the Bank. The holders of every 11½ Millions of the public Stocks, as free men, and free citizens of a free country, are equally entitled to bid for, and to be allowed to purchase a Charter, to become Proprietors of a Bank, if such a *Charter be for public Sale*, as any other set of holders of 11½ Millions of such Annuity Stocks; or as the actual holders of *those 11½ Millions*, which constitute the *legal* Capital of the Bank of England. The existing Corporation being intitled, however, to hold the privileges, purchased by it of the public, for the remainder of the term of years, till 1833, let an estimate be formed of the profits *due and undue*, which it has gained from the public in consequence of its bargain. Having an unlimited power to issue Notes, it has, since 1797, more than doubled their number, being no longer liable to pay them. Taking the average amount at 20 Millions,

	Per Annum.
20 Millions of Bank Notes out at legal Interest of 5 per cent. - - - - - - -	1,000,000
10 Millions of public Money, average balance in the Bank at 5 per cent. - - - - -	500,000
Interest from the public on the undivided Capital, of 11,686,800*l.* at 3 per cent. - - - -	350,000
Say only 5 Millions of Capital accumulated and *undivided*, at 5 per cent. - - - -	250,000
Deposits of private Individuals, Assignees of Bankrupts, &c. with the Bank as private Bankers, Drawing Accounts, Audit Roll, &c. this head was five Millions in 1797; say *now* five Millions at 5 per cent. - - - -	250,000
Management of the public Debt, 550 Million, at 340 per Million - - - - -	187,000
Gain, exclusive of smaller profits, per Annum	£2,537,000

There can be little or no doubt that the profits of the Bank are at least equal at the present time to $2\frac{1}{4}$ Millions a year; and that Rate, on the legal Capital, (worth, if sold as 3 per Cent. Stock, no more than 7,596,420*l.*) amounts to an annual gain of more than 33 per cent.! Any other set of Proprietors, of $11\frac{1}{2}$ Millions of 3 per Cent. Stock, gains about $4\frac{1}{2}$ per cent.

As the Bank divides, yearly, 11 per cent. (10 per cent. and the Property Tax* on it) on 11,642,400*l.* or 1,280,664*l.* it must have been accumulating for some years at the rate of perhaps a Million a year, and must now *again* have accumulated an enormous profit in a manner, *the legality of which may be justly questioned.* The amount of this profit will be discovered, when the Legislature is disposed to investigate the *principle* of these enormous profits, and the conduct of the Bank, more closely. If the Bank were, according to its Charter, to divide its enormous profits half yearly, their enormity would soon be discovered. Since 1797, it has divided in Extra Profits†

In June 1799, 10 per cent. in 5 per cent. 1797 - -	1,164,240
May 1801, 5 per cent. in Navy 5 per cents. - -	582,120
Nov. 1802, $2\frac{1}{2}$ per cent. in ditto - - - -	291,060
Oct. 1804, 5 per cent. in "*Cash*" - - -	582,120
Oct. 1805, 5 per cent. increase of Dividend -	582,120
Oct. 1806, 5 per cent. ditto - - - -	582,120
	£ 3,783,780

which nearly effects the division among the Bank Proprietors of the amount of the Profits which had been *accumulated* in so very *questionable a manner in* 1797, which, as it appears by the Account given in to the Lords Committee of Secrecy‡, then amounted to 3,826,890*l.* So that the accumulation of profits, which the Bank may now possess, must all have been accumulated in this improper manner *since* 1797; and when the amount of that accumulation is shewn, the accuracy or inaccuracy of the foregoing estimate of its profits will be discovered. Since April 1807, the Bank has increased its *annual* Dividend of profits by 3*l.* 6*s.* per cent. *permanently*, which is a farther division of increased profits for the four years ending in April 1811, of 1,422,015*l.*

The profits of the Bank are often considered to arise *merely* from the number of its Promissory Notes which are *out*, but the *circulation* of its Notes enables it to make great profits which are not so obvious. To attempt to make them more familiar:

If A issue three Promissory Notes for 100*l.* each, lending them to B upon interest; and B pay one of those Notes to C, and C deposit it with A himself for a year, telling him he shall not call for it till the end of the year; then if A lend *that Note* to D upon Interest for that year, though A has only three Promissory Notes

* Query—What return of Profits does the Bank make to the Commissioners under the Tax on Property Acts?

† Second Report of the Committee on the Public Expenditure, title "The Bank." Appendix, page 100.

‡ See Page 70.

for 100*l.* each *out*, he is thus gaining Interest upon 400*l.* If B give another of those Notes to E, and E deposit it with A in the same manner as C did; then A, having still only three Notes for 100*l.* each *out*, is gaining Interest upon 500*l.* In the same manner, if the Bank issue 20 Millions of Promissory Notes for Interest to A, B, and C, and 10 of these Millions are collected by the Government for Taxes from A, B, and C, and paid into the Bank: then, if the Government does not call for any part of these ten Millions of Notes for 10 years, the Bank issues these 10 Millions of Notes again upon interest to D, E, and F; and thus, though it has only 20 Millions of Notes *out, during these ten years,* it is gaining Interest upon 30 Millions *yearly during that time.* If D, E, and F, pay these last 10 Millions to G, H, and I, and if H, being supposed the Assignee of all the Bankrupts in Great Britain, pay five of these ten Millions into the Bank to be kept till a dividend is made to the creditors of Bankrupts a year hence; the Bank lends these five Millions to K, L, and M for that year; and thus, though it have still only 20 Million of Notes *out*, it is now gaining interest on 35 Millions, *and so on.* If any one will suppose himself a Bank issuing Promissory Notes upon Interest, and consider the effect his own Notes being brought back to him and left with him *without Interest*, and of his *re-issuing* them again for Interest; this effect of the Interest being multiplied, without the multiplication of the number of his Notes, will be apparent.

The Public, ten years ago, paid into the Bank ten Millions of its Notes, without interest, which the Bank has re-issued and got Interest for during these ten years. The Bank, when it re-issues the identical Notes to one office of Government, which has been deposited with it by any other office of Government, charges Interest for the advance. This is just as if A, a merchant, had 10,000*l.* which had come into his hands in the course of his Trade from B, C, and D; and as if A the Merchant were to deposit the sum with a Banker in his own name, and then apply to the Banker for the Loan of another 10,000*l.* at Interest. If the Banker should say to him, "Why? you have 10,000*l.* in my hands already; take that 10,000*l.*;" "Aye, but," says A, "that is the money of B, C, and D: I must not touch *that*: I will thank you to take care of that sum, and to lend me 10,000*l.* upon Interest." The Banker consents, and perhaps with a significant smile, fetches the 10,000*l.* which A deposited with him, when it came into his hands from B, C, and D, in the course of his Trade, and lends that identical money to A himself upon Interest. When A came to look into his Account with B, C, and D, he finds the sum of 10,000*l.* remitted to him by them was all due to him by them, and that his Banker had in fact been lending him *his own money upon Interest.* Hence it follows, that if there were a Public Officer appointed, having control over the ten millions of public money, paid, by the various public Accountants, into the Bank, and now lying useless to the Public, but yielding an *enormous profit to the Bank*; and which Officer should have the power of drawing upon the Bank for the temporary wants of one Office from the temporary surplus Balance of another; the Public would save the Interest of ten Millions a year now actually *enjoyed* by the Bank; or 500,000*l.* a year: or, if these ten Millions were invested in Exchequer Bills for account of the public, and sold as wanted, the Interest on ten Millions of Exchequer Bills, or 500,000*l.* *a year* would be saved to the Public. The gain of the Bank on the ten Millions of public Balances alone, since 1797, at 4 per cent. or 400,000*l.* a year, must amount to between *five and six Millions.* On the 14th of January 1808, the Directors of the Bank made the following singular *Resolution*, and transmitted it to the Chancellor of the Exchequer:

"Resolved, "That the Court of Directors do accede to the "proposal of the Chancellor of the Exchequer, to lend, for the use "of Government, 3,000,000*l.* on Exchequer Bills, *without in-* "*terest*, during the war; provided it is stipulated to be returned "within six months after the ratification of a Treaty of Peace, and "*under the complete understanding* that all transactions between "the Public and the Bank shall be continued in the accustomed "manner, *even though the amount of Public Balances should ex-* "*ceed the sum of ten Millions.*"

That is to say, "The Bank will lend *three Millions of its Promissory Notes without Interest* to the public, *provided* the Public will engage to leave in the Bank never less than *ten millions of those Notes without Interest!*" Every 100*l.* 3 per Cent. Stock due from the public to individuals sold in the market in January 1810 for no more than 69*l.*; while every 100*l.* of the 11$\frac{1}{2}$ millions of 3 per Cent. Stock due from the public to the Bank, and constituting its capital, sold in the same market in January 1810 for 278*l.* This great difference in value of the 3 per Cent. Stock belonging to individuals, and the 3 per Cent. Stock belonging to the 2500 individuals constituting the Corporation of the Bank, is owing to the great privileges which THE LEGISLATURE HAS SOLD TO THE CORPORATION OF THE BANK: privileges, so great, that the 3 per Cent. held by the Bank is worth four times as much as the 3 per Cent. Stock held by the public.

	£
The whole capital of the Bank of 11,686,800*l.* 3 per Cent. Stock, at the price of 278 per cent. was worth in January 1810 - -	32,492,302
The same capital of 3 per Cent. Stock at the price of 126 per cent. (being *then* more than double the value of any other public creditor's 3 per Cent. Stock) was worth, in January 1797 -	14,725,368
So that the 3 per Cent. Stock *belonging to*, and *constituting the Capital of the Bank*, increased in value from *the stoppage of payment in* February 1797 to January 1810 - -	17,666,934

which is a clear gain in 13 years to the 2500 individuals constituting that Corporation, of more than 17$\frac{1}{2}$ Millions.

It may naturally and respectfully be asked, "Upon what principle is it that 2500 individuals are allowed to collect from 16 millions of their fellow citizens such enormous profits?" If *such* a Bank be necessary, as an engine of State, surely it is but reasonable that the *State* should have the benefit arising from such an Engine, and not twenty-five hundred favoured individuals. If the Bank had been Public Property, this gain of *more than seventeen Millions and a half* might have been made by the Public. That gain having been made by 2,500 individuals, is at the rate of more than 7000*l.* to each individual. Since January 1810, the value of the 11$\frac{1}{2}$ Millions of 3 per Cent. Stock held by the Bank has fallen again to 245 per cent., and it may naturally be presumed in consequence of the numerous Inquiries, like the present, which have been submitted to the Public.

For four years prior to 1797, by the Table in Mr. Allardyce's publication*, the average rate of the Bank's Discount to the Mercantile Interest, was 3,031,875*l.* Taking the average rate to be double since 1797, the Sum of their Promissory Notes *now* lent upon discount to the Merchants would be about *Six Millions.* But, if the Bank has 20 Millions of Notes which are *out*, and from the Circulation given to deposits of them with it, these Notes are multiplied into a Fund yielding Profit or Interest only to 36 Millions, the Bank must always hold Government Securities, of some sort or other, in the amount of above *Thirty Millions.*

From the stress laid by the Directors of the Bank and the supporters of the Bank System, on the discounting of Mercantile Bills, and the distinction made between *bona fide* Bills and other Bills; one would be inclined to think, that the Directors wished it to be believed, that the Bank had no other way of *forcing* the Circulation of its Paper, but by discounting *Mercantile Bills.* But if the Mercantile Bills in its hands be *six Millions*, and the Government Securities and Advances to Government *Thirty Millions*, upon which its Notes have been issued and reissued; who can doubt of its Circulation being *forced?* even admitting (for the sake of argument) the extravagantly *liberal notions* of the Directors with respect to the goodness of Mercantile Bills *brought to them* to be discounted? If Bank Paper, multiplied in value by *deposit and re-issue* to 30 Millions, be applied by the Bank to the purchase of Government Securities, and if the Sellers of these Securities force the Notes of the Bank on the Public, as by Law they *virtually* can, in payment of Debts; and if these Notes are otherwise forced on the public, in payment of more than 25 Millions of Interest on the public Debt, must we not say, that Bank Notes have a *forced Circulation?* What an individual *must* receive in payment he *must* dispose of to the best ad-

* See page 11.

vantage that he can. If the value of Bank Notes be not ascertainable by the difference between their real and their nominal value in Gold; it may be asked, how is their value ascertainable? It would be a very unsatisfactory review to examine the *Consideration* given, by the Bank to the Public, for the enormous powers, privileges, and profits, granted to it at each Purchase and Sale of these privileges: but the *consideration* given, by the Bank, when the last Sale was made by the Public, for the Charter for 21 years ending in 1833, is of so very great *a value*, that it deserves very particular mention. This last Sale was made in the year 1800; and it was by the bargain stipulated, that the Bank should, in consideration of a renewal of its Charter for 21 years from 1812, advance *Three Millions of its Promissory Notes* to the Public, for *six years*, without receiving *Interest* for them. The Bank accordingly did so. The six years expired in 1806, since which time the Bank has received Interest from the Public, at 3 per cent. per Annum on these 3 Millions, or *Ninety Thousand Pounds a year.*

The Bank Notes in Circulation, on 1st February, 1805, the year before the commencement of Interest, were - - - - - - - -	18,397,880
The Notes in Circulation from April to June 1800, in which year the bargain was made, were -	14,937,110
Increase -	£ 3,460,770

So that, in the course of the five first years of the six, during which the Bank was to receive *no Interest*, it forced 3½ Millions *more* of its Notes on the Public, to enable it to make this *advance to the Public of 3 Millions without Interest, and also without diminishing the number of its Notes used for its own profit.*

In 1808, the Bank advanced 3 Millions to the Public, till the end of the war, *without Interest.*

The Bank Notes in Circulation, on 5th May, 1810, were - - - - - - - -	21,304,930
Ditto, on 1st May, 1808, were - - - -	17,491,900
Increase -	£ 3,813,030

So that these 3 Millions, *without Interest*, lent to the Public in 1808, have been produced by a fresh forcing of 3 Millions and 800,000*l.* more, as a *bonus* from the Bank to itself for what it concerved to be its liberality. Does the Bank by making 3,800,000 promises, and lending three Millions of those promises, broken *by Law*, to the Public, confer any advantage on the Public, or does it diminish or increase its *own* profit? But what has the Bank given to the Public for this Charter for twenty-one years,

from 1800 which has already, since 1797, increased the value of its Capital, SEVENTEEN MILLIONS AND A HALF? What *Beggar* could not purchase a Charter for 3 Millions of his Promissory Notes, if he *were not to pay them*, and how soon would that Beggar be enriched, if for *this issue* of 3 Millions of his Promissory Notes, which he never pays, he were to receive back Ninety Thousand of them every year to be cancelled; the Public still continuing to owe him three Millions of the King's Coin? Of the three Millions of promises made in 1800 by the Bank *(but which it has never paid)* for its Charter; it has already, since the year 1806, received back 360 thousand to be cancelled. But so far from cancelling these promises, the Bank has evidently employed them (and they yield compound interest) to its further profit.

The issue of promises, so far from being by the 360 thousand diminished since 1806, is increased. If the Bank should not pay its promises for such a period after the year 1806, as will allow time for 90,000 *a year* (the sum annually paid to it by the Public for the Charter-Bargain) to accumulate at *compound-interest* to three Millions; the *Public* will owe the Bank three Millions for having accepted the renewal of its Charter in 1800, instead of having received any thing from the Bank for the Sale. Is there no competent Court of Equity in Great Britain, where such a bargain can be reviewed? When three Millions of Promissory Notes were lent by the Bank to the Public, *without Interest for 6 years*, as a valuable consideration for the renewal of its Charter, was the Public aware that these Notes *were not to be paid?* Was it aware that to lend them, the Bank, in five years, would add *more than* 3 Millions to the amount of its Promissory Notes? Is not the payment of 90,000*l.* a year to the Bank, *for having increased the number of its Promissory Notes,* by 3 Millions, a payment to the Bank? and a payment for what? For causing a depreciation in the whole Bank Paper, constituting the Circulating Medium of Great Britain, in the proportion that these 3 Millions bear to the other 17 Millions of the Bank Paper (taking the whole at 20 Millions) multiplied respectively by the velocity of their Circulation? And are not the 3 Millions of Promissory Notes lent by the Bank, *without Interest* to the Public, in 1808, (being also further added since, in 1808, to the amount of Bank Paper) the cause of a still further depreciation? Do not these two transactions with the Public (for one of which the Bank receives 90,000*l.* a year) occasion *together*, by the addition of 6 Millions to the Bank Paper, a depreciation in the value of that paper, in the proportion that 6 Millions, multiplied by the velocity of the circulation of the Bank Paper, bear to the other 14 Millions of that Paper (taking the whole at 20 Millions) multiplied by the like velocity of circulation? Did the Directors of the Bank in 1800, when they offered to lend *three Millions* of its Promissory Notes to the Public, for six years, *without Interest*, as the price of the renewal of the Charter till 1833, *conceal*, that they had *never less than ten Millions* of its own Promissory Notes belonging to the Public, and paid into the Bank for better security? and was it understood that these *ten Millions* were re-issued by the Corporation at an *annual profit to itself, of some hundred thousands?* Was not that profit unduly derived from the Public itself, by its *own ten Millions* being invested in its *own securities*, and by the profit of some *hundred thousands a year* being pocketed by the Bank Proprietors? Are not those profits made with the Public Money, the property of the Public? If the Public Accountants had issued the Bank Notes belonging to the Public for *their* private emolument, would they not have been dismissed with ignominy, and the profits taken from them? And why should the Bank be allowed to issue the public Money for *its* private emolument and *without account?* The manner, in which the Bank has done so, can easily be traced, perhaps by tracing the identical Notes paid into the Bank on the public Account. Which, of the two, in *justice and equity*, is best entitled to that enormous *accumulation* (contrary to Law, as it appears,) of undivided profits made by the Bank, since 1797*? Is it *the Public*, with whose Money so much of these improperly accumulated profits has been made; or is it *the Bank*, which has made and accumulated them? Finally, it may be asked, if a set of twenty-five hundred individuals can make such an enormous profit as seventeen millions in ten years, would it not be better to give a more general diffusion to such profits, by having eight, or ten, or more such sets of individuals among whom they might be divided? All these are considerations of vast, and some of them of *vital* importance to Great Britain; and, as they come to be better and more generally understood, they will doubtless receive from her Legislature that just investigation, and that serious attention which they so solemnly demand.

* "All the Profits, Benefits, and Advantages arising out of the management "of the Bank of England, shall (the charges of management only deducted) be "divided, from time to time, among the Proprietors *for the time being*, according "to their respective shares of Stock, *and these Dividends be made at least twice* "*in every year.* See Act, 8th Will. III. cap. 20; 9th Will. III. cap. 3.; and "7th Anne, cap. 7. sect. 23." Mr. Allardyce's second Address, page 4, and case and opinion of Mr. Mansfield, now Sir J. Mansfield, Chief Justice of the Common Pleas.

PART VIII.

Further Remarks on the Depreciation of the Circulating Medium of Great Britain; and, on the means of providing and maintaining within the Realm the Royal Coins of Gold and Silver, when the Circulating Medium is restored to its former healthy state.

EVERY 46*l.* 14*s.* 6*d.* worth of the Promissory Notes of the Bank of England is an engagement of that Corporation to pay to the bearer, on demand, 44½ Guineas, or $15\frac{9}{124}$ Troy Pounds *weight* of Sterling Silver. The Promissory Notes of the Bank of England are *debts* due by that Corporation to *the holder or bearer of them*; and more than 25*l.* worth of Silver Coin *by tale* is not lawful tender for the payment of a debt, if the creditor does not choose to accept it. No creditor will accept 46*l.* 14*s.* 6*d.* much less 100*l.* or 1000*l.* in degraded Shillings or Sixpences. He will insist on Gold Coin, as by law he is entitled. A Promissory Note of the Bank of England for 46*l.* 14*s.* 6*d.* can virtually then be lawfully discharged *only* by the payment, by that Corporation, of 44½ Guineas of full weight, or *Gold Coins* to that value. 44½ Guineas, or 46*l.* 14*s.* 6*d.* *Sterling* or *genuine* is only another name for a *Troy Pound weight* of sterling or *genuine* Gold. Every 46*l.* 14*s.* 6*d.* worth of Bank Notes is therefore an engagement to pay a Troy Pound *weight* of Sterling Gold. This has the force almost of a self-evident proposition. If Notes of the Bank of England for 46*l.* 14*s.* 6*d.* be *not* an engagement to pay on *demand* a pound weight of Sterling Gold, what are they an engagement to pay? As the law stands at present, they are an engagement *to pay nothing.* The Bank of England is only bound *by Law* to exchange their great promises into any variety of smaller ones, or their small promises into any variety of greater ones, *for the accommodation of the Public.* Surely there can be no need to have recourse to *the Balance of Trade, or to Foreign Exchanges*, to prove the depreciation of these promises from what they pretend to be. Whoever has 46*l.* 14*s.* 6*d.* worth of these promises, and wants the pound of Gold they pretend to represent, if he go to the Bank and demand the pound of Gold, he is presented with an Act of Parliament (passed in the year 1797, to guard, it has been said, against the danger of the Nation's being ruined by the escape of about a *Million's worth of "Cash"* from the Bank,) commanding, that this promise of the Corporation to pay him 46*l.* 14*s.* 6*d.* of the King's Coin, or a Pound weight of Gold, shall not be performed; that 46*l.* 14*s.* 6*d.* *in Coin* shall not be paid to him. If he *want* a Pound of Gold therefore, he must go to a Gold Merchant, who tells him, "I will not give a pound of Gold for a *promise of the Bank* to pay me a Pound, which you know it has just refused to yourself to perform; I must have its *promises to pay* a pound and two ounces, for I do not know when the Bank will pay me; and I perceive that its promises *to pay hereafter* a pound and two ounces of Gold, purchase just the same quantity of the comforts and conveniences of life as a pound of real Gold now does*." The man who wants a pound of Gold must submit; and accordingly he gives the Gold Merchant 54*l.* 12*s.* Promissory Notes of the Bank, or in other words engagements of the Bank to pay *some day or other* a pound and two ounces of Gold, for a Pound of Gold *ready weight.* This is what the Bank Directors and supporters of the Bank System call *a rise in the price of Gold.* Gold, say they, is risen in price; for the promises of the Bank to pay Gold are no longer worth the weight of Gold mentioned in its promises. What need is there then for embarrassing the question, namely, "whether Bank Notes be depreciated?" with inquiries about the Balance of Trade in Great Britain, or with inquiries into the difference between the value of *Gold* and *promises to pay Gold in other countries.*

Before the Bank can lawfully discharge its Notes, it *must* find a pound of sterling Gold for every 46*l.* 14*s.* 6*d.* of them. For every 46*l.* 14*s.* 6*d.* worth of its Notes, being a promise of that Corporation to pay a pound of Gold, can neither in justice, in equity, or in law, be otherwise discharged, than by the payment of *that Pound!* As soon as the law is open for the enforcement of its promises, no man who can *compel* the Bank to perform them; to give him a pound of sterling Gold for 46*l.* 14*s.* 6*d.* of its Notes, will ever give 54*l.* 12*s.* of those Notes, as he must at present do, for a pound of such Gold. The Bank will be obliged to maintain its promises equal to the value of the Gold which, by such promises, it undertakes to pay on demand: and it can do so *only* by exchanging them for such quantity of Gold, at the requisition of every person *who doubts their ability.* How a Bank is able continually to be making such exchange at the pleasure of the holders of its promises, and yet to have a great profit to itself, has already been explained.

So wholesome was the Law respecting the provision of Money in the Realm of Great Britain before the order for the Bank *to stop payment* in 1797, that the Royal Coin was provided for public use without any direct interference of the King or of his Government. The Royal Mint was kept open, where every one who had a pound of sterling Gold might have it coined, free of expense, into 44½ Guineas. The weight and the fineness of Gold being thus ascertained for individuals, and certified by the Sovereign by being made into the Royal Coin; its owners were enabled to pass it by *tale* into the general Circulating Medium of the country: and the quantity of the Royal Coin necessary in the Circulating Medium was thus continually supplied and supported in it. When more Gold Coin was wanted in the channels of circulation, *Gold in Coin* became a little dearer than *Gold in Bullion* or *uncoined*; therefore, whoever had Gold in *Bullion* or *uncoined* took it to the King's Mint and had it coined *with a profit.* Whenever there was a superabundance of Gold Coin in the channels of circulation, arising either from a greater velocity being given to the actual quantity of it in those channels, or from new inventions and contrivances for economizing the use of it; in either of these cases, the Gold in *Coin* became of less value in the Bullion market, to which the superabundance of Coin is of course brought, than the Gold in *Bullion* or *uncoined*; because Gold in Coin cannot *by law* be melted or exported, like Gold in Bullion. When there becomes no farther use for it, however, in the channels of circulation, as *Coin*, it is easily and always melted or secretly exported by the *Doctors of Exchange.*

* Any consideration of the Gold Merchant's profit is omitted for the sake of simplicity.

The same quantity of Coin circulating with the same velocity for a length of years in any Country, would require a certain annual Coinage, to replace the worn-out and degraded Money, which being refused in Payment, would be brought back to the Mint to be re-coined or melted down by the Goldsmiths and Bullion Dealers.

The following Table, shews the comparative quantities of Gold, annually brought to the Mint to be coined since the Reformation of the Gold Coin in Great Britain, completed in 1777 up to the year 1798, the year after the Bank suspended Payment in Coin, (after which last year, it evidently appears by the Table, its Notes for 1*l.* and 2*l.* and the excessive issue of its Notes began to operate in displacing the Coin) and the quantities of the Gold brought to the Mint to be coined *since* that period.

Gold Coined, 1778 to 1798.			Gold Coined, 1799 to 1810.		
Coined in each Year.	Pounds Weight.	Value.	Importations into the Mint in each Year.	Pounds Weight.	Value Coined.
		£. s. d.			£. s. d.
1778	7,500	350,437 10 0			
9	36,300	1,696,117 10 0			
1780					
1	18,765	876,794 12 6			
2	14,940	698,074 7 0			
3	4,860	227,083 10 0			
4	17,595	822,126 7 6			
5	53,250	2,488,106 5 0			
6	23,700	1,107,382 10 0	1799	5,818	449,961 15 0
7	60,975	2,849,056 17 6	1800	6,258	189,837 2 6
8	78,420	3,664,174 10 0	1	14,403	673,002 0 0
9	32,760	1,530,711 0 0	2		437,018 18 6
1790	56,940	2,660,521 10 0	3	12,839	596,444 12 6
1	52,575	2,456,566 17 6	4	16,637	718,396 17 6
2	25,080	1,171,863 0 0	5		54,615 15 0
3	58,800	2,747,430 0 0	6	8,778	405,105 15 0
4	54,765	2,558,894 12 6	7	4,982	
5	10,560	493,416 0 0	8	3,009	371,744 2 0
6	9,945	464,680 2 6	9	9,223	298,946 11 0
7	55,535	2,000,297 5 0	1 March, 1810	4,025	
*1798	58,179	2,967,504 15 0			

Mint Office, 18th March, 1797.
Jas. Morrison, Dep. Master.
John Wyett, Dep. Compt.

Extracted from the Appendix to the Report of the Bullion Committee, page 26.

From this Table it appears that the Gold brought to the King's Mint to be coined amounted *yearly* on an average,
Of the 21 years from 1778 to 1798, both inclusive, to 1,611,011*l.*
Of the 11 years from 1799 to 1809, both inclusive, to 381,370*l.*
From the same Table it appears, with respect to the last period of 11 years, that the Gold brought to the King's Mint to be coined amounted *yearly* on an average,
Of the 6 years from 1799 to 1804, both inclusive, to 510,777*l.*
Of the 5 years from 1804 to 1809, both inclusive, to 226,082*l.*
The Bank Notes of 1*l.* and 2*l.* *began to expel the Gold Coin in* 1799, when the annual coinage of Gold all at once diminished, on an average of years, from *more than a Million and a half yearly to less than four hundred thousand Pounds yearly.* On the 1st Fe-

* Extracted from the Appendix to the Report of the Bullion Committee, page 26.

bruary 1805, the Notes of the Bank for 1*l.* and 2*l.* amounted to 4,726,840*l.*; and the average Coinage of Gold, to 510,777*l. yearly.* In April, 1810, the 1*l.* and 2*l.* Notes had been increased to 6,104,170*l.*; and the coinage was diminished to 226,082*l. yearly* on an average. If these Bank Notes for 1*l.* and 2*l.* had never been issued, all legal demands of and under 2*l.* 10*s.* *must, in the nature of things,* have been paid in the King's Coin; or how else were such payments to be made at all, if there were no Bank Notes under 5*l.*? These calculations demonstrate how the King's Coin has been actually and sensibly driven out of circulation by the Notes of the Bank.

It may *very safely be conjectured,* that the Gold coined subsequently to 1798 must have been taken by the Bank itself to the Mint, or coined at the expense of Government: for who, in his senses, would take a pound of Gold which he could sell for 54*l.* 12*s.* worth of Bank Notes in the Market, to be coined at the Mint into Guineas, which by the Coinage become of no more value than 46*l.* 14*s.* 6*d.* of the same Notes.

What need can there be to have recourse to *the Balance of Trade* or to *Foreign Exchanges,* to explain this problem?

A Pound Weight of uncoined Sterling Gold, this morning worth 54*l.* 12*s.* in Bank Notes, comes out of the Mint in the afternoon worth only 46*l.* 14*s.* 6*d.*; and yet it is the same identical Pound of Gold measured against the same identical Notes. This is what the Bank Directors call "*a rise in the price of Gold.*" To the *owner* of the Gold, however, it is *a fall* both in the *value* and in the *price* of it, *thus to assimilate it with Bank Notes, and make it of no more value than those Notes*: namely, a *fall in a few hours* from 54*l.* 12*s.* to 46*l.* 14*s.* 6*d.* or of nearly *three shillings in the Pound Sterling.*

Do not the Directors of the Bank of England know this effect on the VALUE of Gold, by its being made *genuine,* made to *pass the test,* in the King's Mint? Will Gold Coin ever be provided for the public at an *open Mint,* where every one who goes there will lose nearly 14 per cent. on his gold in an hour or two? It is most equitable and most just, that the Bank should be made to employ some part of its enormous gains, accumulated contrary to Law, to furnish Coins to that public, from which it has been enabled to gather *such* profits; and should it not be compelled to restore the Circulating Medium to its former healthy state? It is of much importance to the public welfare, in *what manner* the Bank shall be *compelled to do so.*

A Circulating Medium progressively depreciating, as the Bank of England Paper has depreciated, threatens the Nation with the most disastrous consequences, which will readily occur in all their deformity to every one, who will reflect upon the consequences of *fixing certain parts* of the national expenditure *during war,* according to the value of depreciated money, if that money should be restored to its ancient standard: when a necessity would arise of reducing the *nominal* but not the real *pay* of a *certain numerous class of the Public Servants*, who do not understand the "*Theory of Money.*" A more particular allusion to such evils is here purposely omitted.

All the Silver which has been coined, at the Royal Mint, during his Majesty's reign, from 1760 to 1796, amounts only in value to 63,419*l.* 6*s.* 8*d.*; since which time no Silver Monies have been coined at the Mint, excepting about 100*l.* a-year for the King's bounty at Easter. Yet though no Silver Coinage, or none worthy of mention, has been made for these fifty years, or, perhaps, for a much longer period, all payments of and under 10*s.* 6*d*, 5*s.* 3*d*, and 3*s.* 6*d.* were made up to the year 1797, by the old Silver and Copper Coin, with the aid of the Gold Coin of a Guinea, half Guinea, and Pieces of Seven Shillings.

It is the disappearance of these small *Gold* Coins, which are melted the moment they are issued, which has occasioned the scarcity of *Coin for inferior payments*, and given rise to the Mint of a different description. The Royal Silver Coin is indeed in a most degraded state, but its degradation has at least had the effect of preventing its being melted down or exported, because it would not sell as Bullion for half its value as Coin. This arises from the circumstance of *Gold* being the highest denomination of our Coin, and from the Gold Coin, since its reformation in 1777, having been maintained up to the year 1797, (since which year Gold Coin in this Country has ceased to exist) at its full *weight*, and therefore at its full value. 21 degraded shillings, or 42 degraded sixpences, not intrinsically worth more than half of their standard value at the Mint, always passed for a Guinea. The Guinea, while it was itself maintained of full weight, brought those *degraded Silver Coins up to its value*; the Guinea was not brought *down to the value of the degraded Silver Coins*: because no one was, or is now compellable to take Silver Coin in payment for more than 25*l.* except by *weight*; and by *weight*, at the rate of a pound weight of Sterling Silver for every 3*l.* 2*s.* or 62 Shillings: 62 being the number of Shillings into which a Pound of Sterling or genuine Silver is coined at the King's Mint. This discloses *practically* to Financiers, that *if the Coin of the Realm of highest denomination be kept at its full weight (i. e. value), all those of lower denomination will be brought up to that value; provided the quantity of the lower denomination be limited as a lawful tender for all payments.* In the present state of our Circulating Medium, as there is no means of keeping the highest denomination of our Coin, that is "The Notes of the Bank" *at any fixed value*, they of course are brought down towards the value of the inferior Coins, according to the abundance of their issue. The Directors of the Bank offer at present 15*s.* 9*d.* worth of Silver for each of their promises to pay

20 shillings worth at the King's Mint, but their real depreciation is at present *only* about *three Shillings* in the Pound Sterling.

If the Gold Coin be taken at the Receipt of the Exchequer and of all the *Taxes*, at the Post-Office and at all Public Offices, *only by weight*, it will be, as it was from 1777 to 1797, maintained at its full *value*. If Silver Coins are made to measure it at 10 or even 15 per cent. less than the comparative value of Gold and Silver *uncoined*, those silver Coins never would be melted or exported, because they would be worth more as Coin, compared to Gold, than they would be worth as Bullion: while, at the same time, if the *legal tender* of them were limited (in all payments) to a small amount, to 30*s.* or 40*s.* for instance, it would not be in the *power* of the Sovereign to force them, beyond a convenient quantity, on the people. If no Gold Coins were made of less value than a Guinea, all payments of and under 10*s.* 6*d.* would be made in the Silver Coin; and if Gold Coin of Half-a-guinea were made, such Silver Coin would be required only for payments of and under 5*s.* 3*d.* The Copper Coins might be regulated on the same principle.

There remains then only to consider the art or means of retaining the Gold Coins in the channels of circulation and within the Realm. The Gold Coins have always been made at the King's Mint, without any charge for the Coinage. For every Pound Weight of Gold of sterling fineness, delivered into the King's Mint, a Pound Weight of sterling Guineas has always been delivered back from the Mint. But the Pound of coined Gold is certainly *more valuable* than the Pound of uncoined Gold by the manufacture, by the ascertainment of the weight and the fineness of the piece; by the Owner of that Pound of Gold being enabled to pass it by tale among the King's subjects, at its full value, in payment of *his debts*, instead of being obliged to carry it to a Bullion Merchant, who would only buy it at a profit to himself. If a demand arise for Gold in a neighbouring Nation, either from a diminished velocity of circulation of its coins, or an increase of its wealth in other commodities not accompanied by an increased velocity of circulation of its Coins, or from any other cause occasioning a demand for Gold; the coined Money of Great Britain is exported to the neighbouring Nation in common with the Bullion or uncoined Money; for there are no Laws more absolutely inefficient in the Statute Book, than those prohibiting the melting and exportation of coined Money, as has already been frequently observed. The coined is exported faster than the uncoined Money; because considerable quantities of Coin, being easily collected by *Merchants*, (it not being confined like Bullion to Bullion Merchants,) it is easily conveyed abroad in small quantities, *but in great value*, and sold to the neighbouring Nation. The exportation continues till the value of Gold is restored to its equilibrium as between Great Britain and that neighbouring Nation, and to its equilibrium in the whole World.

If there were no more Gold Coin in the channels of circulation in Great Britain, than was necessary *before this exportation of the Coin*, and as there arises a deficiency in those channels in consequence of the exportation, more Gold is carried to the Mint to supply this demand, occasioned by the want of Coin. The Merchants, technically called in England "*Foreign Merchants*," who are the great *Doctors of Exchange*, know the foreign demand, and supply it with the Coin of Great Britain: the home Bullion Dealer sees the home wants, and supplies the Mint with Bullion, and both those operations are carried on with a profit. The King's Mint is thus kept in constant employment at a considerable expense to the Public. This will be evident from the Coinage of Guineas, from 1785 to 1794, amounting, on an average, to 2,328,470*l.* annually. Such a quantity of Coin is probably ten or twenty times as much as could be wanted to supply the annual *waste or wear of Coin* in Great Britain, and daily improvements were making during that period in economizing the use of Coin. It has been said that all the inferior (and perhaps many of the superior) artists and workers in Gold, finding the same weight of Gold in Coin and of Gold in Bullion of the same value, never thought, even prior to 1797, of purchasing Gold; but used the Coin that came into their possession. What must they have done *since* 1797, or since the time when the Gold Coin can be melted with a profit of 10 or 15 per cent?

There is, perhaps, but one way, but it would be a most effectual way, of retaining the Gold Coins within the Realm, and of preventing them from being melted for the purposes of the artist: namely, *by charging at the Mint for the expense of the Coinage*; which, though attended with considerable cost and charges, is at present performed at the Public expense.

Gold is, however, certainly enhanced in value by the expense of the necessary labour bestowed in manufacturing it into Coin, in the same manner as any raw article is enhanced in value by the expense of the manufacture.

If the expenses of making Coin from Bullion were charged as a duty or seignorage on the Coin, Coin would not be exported in common with Bullion, because the expense of *manufacture* is of no value, and would go for nothing *out of Great Britain.* British Coin cannot of course be legal tender for the payment of debts *except in Great Britain.* In case of a Foreign demand, therefore, Bullion would be exported from Great Britain before the Coin, because melted Coin would *by the melting*, lose the value of the manufacture; which value is embodied in it by the Coinage, in the same manner as the value of the manufac-

ture of any raw material is embodied in the finished work; as the value of the manufacture of wool, for instance, is embodied in Cloth. It would however be better that the Seignorage on Gold Coin should be *after a rate higher, than the mere expense of the coinage*; that is, after a rate which should be nearly equal to the expense of transporting it to neighbouring States; because the demand might be so great in neighbouring States, that there would still be a profit by sending British Coins to be melted and converted into their Coins (in which case the *Doctors of Exchange* would inevitably send British Coin for sale abroad) though there might not be so great a profit as by the sending of Bullion. If a profit were to be got by *sending Coins abroad*, all "*Foreign Merchants*" who had or could procure Coins, would send them abroad for that profit in proportion to their ability, in spite of all the penal laws which might be denounced against them. This Seignorage, beyond the mere expenses of the Mint, would merely correspond to the profit of the manufacturer of any commodity. The Sovereign, he being the only authority empowered by the State to coin, would collect the profit of Coinage for the public Account; and the Coin, though it *contained less Gold* than its nominal value in uncoined Gold, would nevertheless be always maintained at its *full nominal value* compared to uncoined Gold. If, when the Bank resumes its payments, it pays with Gold Coin on which a Seignorage or Duty has been levied, *that* will be no profit *to the Bank.* The Duty will be paid into the Public purse, and Gold will come out from the King's Mint of a greater real value by the coinage, as commodities come out of the Excise or the Custom-House of a greater real value by the Excise Duty or Duty of Customs paid upon them at entrance into those offices.

This may not be evident at first sight; but it will appear, if it be considered, that, as the Gold *in Circulation in the world* must always be of more value than Gold in the *Mine*, not only by the expense of extracting the Gold from the Mine, but by a profit to the *Miner* also; or else the Gold would never be produced from the Mine and added to the mass in the world; so *coined Money* must always be of more value than uncoined Money, before it will be brought to an *open Mint* to be coined; not only by all the expenses of coining and the Duty to the State to be charged at that Mint, but by a profit to the *owner of the Gold also.* Even if a Sovereign should coin great quantities of Gold, for the miserable advantage of a duty of $2\frac{1}{2}$ or $3\frac{1}{2}$ per cent upon it, which public regulations would easily prevent; all that he could gain, and all the public could lose, would be that miserable profit; but the public would always have a Circulating Medium, not of *speculative* but of *real value.* In Britain, such a proceeding of the Sovereign is as much beneath his dignity, as the Law can place it beyond his power.

The King's Coin has more value than the Gold contained in it, for the same reason that the Royal Crown has more value than the mere Gold of which it is composed. If a Seignorage were levied on the Coin of the Realm, at the King's Mint, for the Public Account, equal or nearly equal to the expense of transporting the Coins to neighbouring States, the whole of the penal Laws relative to the exportation of the Coin might be expunged from the Statute Book. The profits of the *Doctors of Exchange*, and the profit all other Melters of Coin, would be effectually *marred*, for by the melting they would lose the expense of the Coinage, and the King's Seignorage. The Coins of the Realm would remain in their parent State, going about and fulfilling their office; and all the expense, besides the first cost of them, would be the supplying new Coins for worn-out and degraded Coins, which would of course be done at the expense of him who *received* degraded Coin. The Mint would then be a *profit* instead of a *loss* to the State, and the Coins of the Realm would be maintained *always* in a sound and healthy condition.

PART IX.

Of Limiting the issue of the Paper Money of the Corporation of the Bank of England; And of restoring the Circulating Medium of Great Britain to its former healthy condition.

BEFORE the Royal Coins can be again established in the Circulating Medium of Great Britain, the Notes of the Bank of England must be brought back to represent, not *nominally* but *really, the value* of the Coins of the Realm: for let it always be remembered, that the Coins of the Realm have no value; *not* merely excepting that which they derive *from the quantity of Gold contained in them, but* excepting that which they derive from being TRUE REPRESENTATIVES *of the quantity of Gold declared by the King's Proclamation to be contained in them.* What would it import to any one that a Guinea weighed a whole Pound of Gold; if, *so long as it is a Guinea*, the law makes it worth no more than 21 pieces of a degraded Silver Coin, or of no more value than a Bank Note which is not a representative of a Guinea, but of these 21 pieces of degraded Silver Coin? An excessive issue of Bank Notes made lawful tender and *exchangeable, in point of fact and reality, only for degraded Silver Coin*, is the same as an excessive issue of *degraded Silver Coin made lawful tender*. What does it avail, that the Guinea may be rejected *if not of full weight*, if there be no right to insist *upon having the Guinea* for every 21 shillings of a debt? There is

no such right in England *now*; but wherever any number of *Guineas* is due, those Guineas may be paid by the substitution of a Paper Money, which is in fact no representative of Guineas, but of degraded Silver Coin. The Law can no more make a Bank Note of the value of a Guinea, than it can, *merely by so enacting*, make a Bank Note for 21 of our degraded shillings of the value of a *Pound weight of Gold.* The Law in its omnipotence may declare "*it shall be so*," but who will furnish a pound weight of Gold for *such a* Bank Note? Who indeed ought to furnish Guineas for Bank Notes, except those who undertake to do so, namely, the Corporation of the Bank of England?

It is of much importance, in *what manner* the Bank shall be compelled to bring its Notes once more to the value of the King's Coin, by being obliged to exchange them for such Coin at the pleasure of the holder. Whenever that is again the Law, the King's Coin will *resume the value of the Gold declared by his Proclamation to be contained in it.* The Bank has *now* had a power given to it, which requires to be taken from it in a very cautious manner, to prevent much mischief, which incautious proceedings would occasion. If the Bank were prohibited from issuing Notes *of less than 2l.* then all legal payments under 1*l*, must be made *in Coin of some sort or other.* If, *with a view to the re-establishment of the Gold Coin*, a new Silver Coinage by Royal authority sanctioned by Law were to take place, (no Silver Coin having been provided since 1760) which Silver Coin should be fixed, with respect to Gold Coin, 15 per cent. under the proportional value between Gold and Silver uncoined (for it is not even pretended that there is any want of *Silver* Bullion) twenty Shillings of such a Silver Coin would be equal to the present value of a Bank Note. If the Bank were obliged to provide *Silver for such a Coin*, and to pay off all its 1*l*. Notes with it; *that Coin*, (the old Silver Coin being declared unlawful tender for more than 5*s*. till it could be called in) *would not be melted*; *unless the Bank were permitted to cause a further depreciation of its Notes by a larger issue of them, of and above 2l. than it now has made of and above 1l.* The Bank would thus be obliged to provide a Royal Silver Coin, equal in amount to all its Notes of 1*l*.: that Silver Coin paying a duty of 15 per cent. to the Nation. When the Bank had paid off its 1*l*. Notes, (a reasonable time being allowed to do so), it might next be made to pay its 2*l*. Notes in the same manner, and so on; the Corporation being, after the discontinuance of 1*l*. and 2*l*. Notes, allowed to make 3*l*. and 4*l*. Notes, if thought necessary or expedient. But in this operation of diminishing its Notes, the Bank, as it is compelled successively to pay off the lowest denomination of its Notes, must be restrained from increasing the *issue of its Notes* *above that denomination*, beyond what they were at the commencement of the operation. Twenty Shillings of such a Silver Coin will indeed be of no more value than a Bank Note *for 1l. until our Gold Coin be restored again to the Circulating Medium*: but when our Gold Coin is re-established, twenty-one of these Shillings will always pass for *a Guinea*, and be brought up to the value of *the Gold contained in a Guinea, provided the tender of this Silver Coin in payment be limited to a small amount.* Let any person ask himself, whether such a Royal Silver Coin would not be better than "Bank Tokens," worth *4s. 4d.* passing current for *5s. 6d.*? Even though he do not see or recognrze the wisdom or the policy of maintaining Silver Coins at a different proportional value to Gold Coins from the proportional value between uncoined Gold and uncoined Silver in the manner already treated of. If the Bank Notes for *1l.* and *2l.* were to be discontinued by the use of such a Silver Coin, and if the Bank were allowed to make Notes of *3l.* (*but diminishing its Notes of and above 5l. by the quantity of 3l. Notes*) all payments of thirty Shillings, and under, would be made in *this Royal Silver Coin, and the old Coin limited as a lawful tender to 5s. or some small number of Shillings, till it could all be called in.*

The Bank should, after due time, be next compelled to pay Gold Coin; as it *must do*, when the suspending Law is removed, if that Law be not meant to last *for ever*. One circumstance of very great importance to be attended to is, that the Bank, in limiting its issues of Notes, should be obliged to withdraw them from that channel of their present employment, from which they can best be spared: not from the discounting of five or six Millions for Merchants; but from the purchase of Government Securities of thirty Millions for its own profit, which it is herein presumed, and indeed alleged, that the Bank must hold in some shape or other at present. The Bank is PROHIBITED *by its Charter, and by Act of Parliament, "from dealing in any Goods, Wares, or Merchandize, (except Bullion) and from purchasing any Land or Revenue, belonging to the Crown, and from lending to his Majesty, his Heirs, or Successors, any Sum of Money other than upon such Fund, on which a Credit of Loan is or shall be granted by Parliament."* It may be suggested respectfully, Is not some declaratory Law wanted to explain, whether, *under this limitation*, it be lawful for the Bank to *deal in public Securities* for its own profit, with its own Notes; *even if it had not the power of making Notes at pleasure for this purpose?* And is not a declaratory Law much more called for to explain, whether it be *lawful* for the Bank to purchase Public Securities for its own profit, *with its Notes deposited with it, and belonging to the Public?* The Bank may advance

Money or its Notes to *his Majesty*, who must be held to mean *his Government, upon a credit of Loan granted by the Parliament.* But can the Bank *lawfully*, under the words and meaning of the limitation in its Charter, lend or advance Money upon, or deal in Public Securities, *not* to, or with, *the King or his Government directly*; but *privately, or in the open Market* for its own profit?

As it is a common observation that there is hardly any evil without its concomitant good; so the deposit of the ten Millions of Public Money for ten years in the Bank (though it has afforded an enormous profit to the Corporation, and been, by its lying idle as far as concerns the Public, a *great loss to the Public*), has yet placed an easy means within the power of Parliament, of restraining the issue of Bank Notes without interfering *too much* with the private affairs of the Bank, whenever the Parliament shall think fit to cause the Bank to provide Gold Coin out of its enormous, accumulated, and undivided profits. The Cashiers of that Corporation would be thunder-struck if the first Lord of the Treasury were to walk any day into the Bank with drafts upon it from each of the Public Accountants for their specific balances *in the Bank.* Unless, besides the 20 Millions of Bank Notes which are *out*, the Bank keeps ten Millions *always ready in the House*, it could not pay the ten Millions payable on demand to the Public Accountants *not even in its Notes.* That inability would immediately betray the fact of the Bank employing the Notes deposited with it, and belonging to the Public, *for its own profit.* If Parliament were to direct the Public Accountants to draw their balances from the Bank and pay them into the Exchequer, or Exchequer Bill, or any other Office, *ten Millions* of Bank Notes would *be withdrawn from the circulation of the country.* These ten Millions of Notes always lie idle now, *as far as concerns the Public*, and they might as well lie *idle in the Exchequer, or Exchequer Bill Office, as in the Bank.* The Bank Notes in circulation would then be *ten Millions* instead of *twenty Millions*; unless the Bank coined another ten Millions instead of those Notes lying idle in the Exchequer. If the Bank were restrained from issuing more Notes *than it has out at present*, and were prohibited *from lowering the mercantile discounts*, no distress could arise to Merchants, or to the Government, or to any person. The profits of the Bank *only would be a little limited*; the Public would hold some of those *thirty Millions* of its own securities, which are here said to be at present held by the Bank for its own profit, in addition to the *six hundred Millions* which the Public already holds of its own securities. The effect of withdrawing Bank Notes from circulation can thus easily be tried; and the truth or error of the alleged depreciation of them would be discovered. The simplest of all means may indeed be resorted to. Let the Bank be prohibited from issuing more than the actual amount of its Notes which are *now out*, and let the Public Accountants withdraw ONLY *four or five Millions* of their balances, and thus for five or six months confine in the Treasury or Exchequer four or five Millions of the Bank Notes which are *out*. This can be no public inconvenience, since ten Millions are lying idle with respect to the Public, in the Bank: and thus let it be seen if the value or price of Bank Notes and Gold will not approximate by that operation. If in five or six months, or in a year, no such approximation takes place, the opponents of the Bank Directors and of the Bank Paper system must acknowledge their error, and must find some other principle on which to explain the depreciation in the value of the Circulating Medium alledged by them, than that of an over issue of Bank Paper. But such an experiment must be tried, *beyond all question of its fairness*, by the privacy of a select, and (if necessary) of a secret Committee of the Legislature to its performance. However honourably the Bank Directors might comply with the Law restraining the issue of the Notes of that Corporation, no ground or pretence should be left for question or for dispute about the fairness of the trial of an issue, thus joined between contending Reasoners, in a matter in which the chief interests of the community, and *the life of the State* itself may be involved and determined.

London, 31*st March*, 1811.

Printed by G. Davidson,
Old Boswell Court.