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0102

OF

BANK OF ENGLAND

NOTES.

Price 2s. 6d.

0103

A

LETTER

TO

JOHN THEODORE KOSTER, Esq.,

IN WHICH

THE ARGUMENTS USED BY THAT GENTLEMAN,

TO DEMONSTRATE THAT

Bank Notes

ARE NOT DEPRECIATED,

ARE

CONSIDERED AND REFUTED;

ALSO,

IN WHICH IT IS CONTENDED, THAT

MR. HUSKISSON

HAS

NOT DETERMINED THE EXTENT

TO WHICH

BANK NOTES ARE DEPRECIATED.

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INTRODUCTION.

FOR the better understanding the pages which follow, it may be well, briefly to state the argument, as it now stands, between Mr. Huskisson and Mr. Koster.

Mr. Huskisson says, page 12–13, of that Gentleman's Pamphlet—" A Pound or twelve ounces of Gold, by the law of this Country, is divided into forty-four Guineas and a half, or £46. 14s. 6d."

" A Pound of Gold, therefore, and £46. 14s. 6d. being equivalent, being, in fact, the same things, under different names, any circulating credit which purports to represent £46. 14s. 6d., ought, by the law of this Country, to be exchangeable, at will, for a pound of Gold."

"But the sum of £46. 14s. 6d., in our present Paper, will procure, in exchange for Gold, only 10¼ ounces of that metal. A pound of Gold is now exchangeable for £56. in Paper Currency; any commodity, therefore, which is equivalent to a pound of Gold, is also equivalent to £56. in Paper."

"It follows, that the difference between £56. and £46. 14s. 6d., or between 12 and 10¼ ounces of Gold, arises from the depreciation of the Paper, and is the measure of that depreciation."

The result, then, according to Mr.

Huskisson, is, that Bank Notes are depreciated 3s. 4d. in the pound.

Mr. Koster contends, that the *value* of Gold having increased, owing to its scarcity and a great demand, the natural consequence is, that the *price* should be higher—that if Bank Notes were depreciated, there would be other evidences of the fact, which there are not—that Gold having become more valuable since a certain period, is no proof that Bank Notes have become less valuable since the same time—that therefore Bank Notes are not depreciated.

TO

J. T. KOSTER, Esq.

Sir,

WHEN various arguments have been used by various writers upon the same subject, there will remain fewer to be advanced by him who imagines that there is still something to be said on the question. When inapplicable or contradictory principles have been exposed, it is easier to establish those which cannot be shaken: and if a man writes of that, about which many have recently written, before him, though he may have to appeal to curiosity, which has been already blunted; and to excite attention which has been wearied, and patience which has been almost exhausted, he possesses, at least, the selfish consolation that his labour will be less than the labour of those who have preceded him, and that he who writes last, has occasion to write least.

You have informed the public that the structure of Mr. Huskisson's argument for the depreciation of our paper currency, "rests the whole of its weight upon a single point, not very firm, and by the removal of which, it must fall to the ground in a moment." The basis of your reasoning seems to be of a similar extent, and its solidity not greater: the probable consequences of such a contingency are general in their application; you have predicted the result.

I agree with you in the opinion that it is absurd and unjust to endeavour to com-

pel the Bank of England to redeem the present circulation of their notes, with gold, at the rate of £3. 17s. 10½d. per ounce, at the end of two years: you have indeed, exhibited the utter impracticability of such a measure.

This impracticability may be occasioned, first, by accommodations granted to ministers, without consideration in return; secondly, by the encreased *value* of gold bullion; thirdly, by the depreciation of their notes, (and consequent advanced *price* of Bullion) occasioned by superabundant issues; and fourthly, by the depreciation in their notes, occasioned by improper issues, (if there have been any,) whether under the name of Salaries to Clerks or Governors, Emoluments, Gratuities, or Expences of the Institution.

For the consequences of the first of these causes, Government must answer; for those of the second, the Nation at large, (as the Bank cannot regulate the value of bullion;) for those of the third, the Bank is fully accountable; as also for those of the fourth; which we have been obliged to suppose, to complete the argument. For it is but justice that the Company should bear any loss arising from the advanced *price* of bullion, inasmuch as that price has been advanced by a depreciation of the paper currency, occasioned by too abundant, or improper issues.

You express your confidence that Government has not surreptitiously obtained advances from the Bank, because "neither the King's ministers dare to ask, nor the Bank Directors grant an accommodation of this kind, to any great extent."

You say, (page 11, second edition of your Pamphlet) that if "a minister, being in immediate want of so enormous a sum of money as to be afraid of publicly applying to Parliament, for fear of rousing the slumbering lion, prevails upon the Bank Directors to fabricate for him ten millions of their notes which might not be perceived; this being squandered away, he asks for ten millions more; he would soon arrive at the point at which the superabundance must become sensible."

This is supposing a case of a most exorbitant nature; for allowing that a minister should obtain twenty millions, without affording any consideration in return, bank notes would immediately be depreciated about one-half, and ought to circulate at a discount of 50 per cent.;

this would be the consequence, if the circumstances of the case were made manifest to the public. As the public, however, would probably not learn any thing of the matter, the natural result would be, a gradual but considerable rise in the prices of commodities, occasioned by this superabundance of circulating medium.

But instead of twenty millions, let us suppose that a minister or ministers, have at various times drawn, from the Bank to the amount only of two millions; for which sum they have offered no value whatever; bank notes would in reality, reckoning the circulation at twenty millions, be depreciated one-eleventh part, and ought to circulate at a discount of between 9 and 10 per cent.

It is a question with me, whether a superabundance of bank notes be not "sensible" at the present moment. With regard to the bulk of the nation, this sensibility is of comparatively little consequence; and if our paper currency, supposing it now, not depreciated, should immediately begin to circulate at a discount, which should increase to 50 per cent. owing to the impropriety of the future issues from the Bank, such impropriety being made manifest to the public; by this open depreciation, prices might be kept stationary, and the loss of the discount being once sustained by the nation, there would be an end of the matter.

But this would be a very serious affair to all persons whose Income depended upon dividends on Government Stock, or upon pensions paid by the Bank in their own notes, reckoning them at their full promissory value. Now the situation of a pensioner is the same, whether prices be generally doubled by the depreciation in bank notes, or whether these notes pass at a discount of 50 per cent., prices remaining stationary.

Here you may observe, that I have not proved the present high prices to be occasioned by a depreciation in the paper currency. This I must needs allow. Nevertheless I think it obvious to every one, that £.100 now, is not worth so much as it was, twenty years ago, and that the efficient cause of this is the general high prices of commodities. A depreciation in our bank notes would account for these advanced prices. Gold is dearer, because the supply has fallen off, and the demand encreased. Can you say

the same of corn? Your mode of accounting for the rise in the price of this article is not perfectly conclusive. Page 52, 53, you have written as follows:—"What seems to me to have misled Dr. Smith, and nearly all the political economists who have followed him, is, that their attention has been almost exclusively fixed upon the price of corn, and upon the price of labor, without attending to other articles. That these two have risen to a most extraordinary height is most unquestionable. I am old enough to recollect English wheat exportable, and actually exported under 40s. per quarter."

Dr. Smith may have directed his attention peculiarly to corn, as being of great value, and of constant and regular consumption; not liable to be affected with regard to the supplies of it, by the invention of steam-engines, or with regard to the use of it by the caprices of fashion: as an article, of which the consumption regulates the supplies, and which is perhaps the best single criterion of the augmented value, or depreciation of money.

You attribute the rise in the price of Grain to an increase in the population; a diminution of the number of corn fields; and consequent necessity of bringing it from " foreign countries."

The first of these assumptions I shall not dispute; but that there are fewer corn fields than there were, twenty years ago, is a circumstance of which I am not at all convinced. I speak collectively of England, Scotland, and Ireland; for the

expence of conveyance from Ireland to Great Britain is little more than the freight from the eastern to the western shores of England. The improvements in agriculture, during the period mentioned, have been very extensive. If many corn fields have been converted into pastures, much waste land has been sown with grain.

The proportion of foreign wheat ordinarily imported, is very small compared with the consumption of these islands; perhaps upon an average, about one-twentieth part annually.

A great part of the rise in the price of Corn, I think may be attributed not so much perhaps to an increased population, as to the unequal distribution of the mass of the people; immense numbers being collected in manufacturing districts, and very few comparatively, scattered in other places. This induces a very heavy expence in transportations from Scotland and Ireland; and from one part of England to another, both inland and coastways; besides affording greater latitude to the influences of speculation created by political considerations, or by apprehension of a scarcity. In times of evident deficiency, prices may be driven up much beyond what the reason of the case would justify: these contingencies do not affect the argument, except inasmuch as the anticipation of their occurrence renders land more valuable, rents consequently higher, and therefore corn, in some degree, permanently dearer.

What then are the other causes of the rise in the price of wheat from 40s a 80s per qr.? Shall we say a superabundance of *money*?

By no means it may be urged, there is no superabundance of money; the Bank notes have been properly issued. They are the representative of property, their value being determinable by the value of the consideration received. An overplus of gold might make things dear. Bank notes are valuable as a title to actual property which they represent. Gold has a value of its own, and is the representative of nothing but itself.

This is a very plausible theory, and did the execution of it depend merely upon political economists, we might hope for a practice in conformity; but let us remember " we have to do with men." I will fancy a little community of 100 families, with a small quantity of gold and silver coin, current amongst them. One of the richest members sets up a

Bank and issues his promissory notes, in which the community have full confidence. A few individuals transfer a part of their property to the Bank, and receive in return these promissory notes. They find the convenience of them, and are perhaps induced to outbid their neighbours for some articles of convenience or luxury, which they are enabled to pay for in ready money. The example is followed by others, and this facility of making payments prevents that strict examination of the price of articles which used to take place before a purchase. There is now an abundance of the circulating medium, and part of it is laid out in works of taste or fancy. The seller of such articles, having imposed upon them an arbitrary value, will have a very inaccurate notion of the worth of the notes which he has received: he has need of

many commodities, and he parts with this easily acquired money, a good deal at random. The consequence is, that the prices of articles begin to rise, and any persons who have hitherto held back find it convenient to take part of their property to the Bank, that they may be enabled to give as much for things purchased as their neighbours. This infatuation gains ground, and the few who perceive its enormity, are not able to check its progress—a kind of voluntary sacrifice is sustained; and thus, as in many instances, the wise and the prudent are implicated in the consequences of the follies of the thoughtless and extravagant. Moreover, if we add to this, a suspicion that this Bank will never redeem its notes; that it never will return the consideration received, although it expressly promises so to do; further, if it should be sanctioned in this refusal, by an Act of Parliament; and afterwards should declaim against the idea of any compensation to be granted by it, for its notes in circulation, as monstrous and unjust; what, in the nature of things, would be the consequence? Certainly a further depreciation in these paper promises, to an extent not very determinable by direct evidence, and perhaps not very adequately proportioned to the justice of the case.

Not admitting a depreciation in Bank notes, you bring forward taxation as one cause of the enhancement of prices. How far taxation, unconnected with the Paper anticipations and accommodations of a National Bank, would produce a rise in prices, I am not prepared to say. Inasmuch as the public money is driven back upon the country by a lavish ex-

penditure for the army and navy; by salaries to men in power, who serve or do not serve the true interests of the State; by allowances to pensioners and sinecure placemen; and above all, by that percentage of the public revenue, bestowed upon tax collectors, their agents, and sub-agents,—insomuch, the tendency of taxation is to enhance prices; it is doubly oppressive; it takes from a man part of his income, and lessens the value of the rest.

I must observe, however, that the money which is sent out of the kingdom; the immense subsidies which have been paid by this country to other nations; the enormous drain of specie occasioned by the expences of our armies abroad;—these modes of applying the revenue of the country tend, by producing a scarcity of money, to make commodities cheaper.

Suppose an isolated colony, where 1000 guineas, circulating currency, are sufficient for the traffic of the place: the parent country levies a tax of one-tenth of all their money; the consequence is, that 900 guineas must answer the purpose of 1000, and articles must be cheaper in proportion: this, if there was no communication with the rest of the world. But the facilities of intercourse between different countries are so great, that a balance between the want and supply of money is soon maintained, and the end is, that those who are most taxed are most oppressed.

On the whole, I think the high prices

of provisions in England are in part attributable to taxation; in what proportion it is not easy to decide; nor is it of much consequence to the aged Annuitant, whether his income be more depreciated by the profuse expenditure of Government, or the unwarrantable issues of the Bank of England.

In your statement of the quantity of gold annually imported into England, and forwarded to the Continent of Europe, you enumerate—

In 30 vessels from Lisbon, £30,000 each,	£900,000
From Guinea..........................	200,000
From the West India & Spanish America	700,000
Amounting (if the addition is right) to	£1,800,000

After this, you say, page 18, "I have supposed that the whole quantity imported into Europe came through England, which may not be strictly correct—it may, however, I think, be fairly computed, that the whole importation from the other three quarters of the globe never could nor did exceed two millions of pounds sterling annually."

I am not at all prepared nor inclined to dispute this computation, nor should I have noticed it, if there had not been an apparent inconsistency within itself. The first impression received from your account is, that the supply of gold for England and the Continent is annually £1,800,000; that England takes what she wants, and sends the overplus to the Continent. Afterwards you allow, that this statement may not "be strictly correct," and you admit that two millions may be imported into Europe otherways

than through England; that is, that there may be imported into Europe, annually, by other channels, an amount in gold exceeding by £200,000 the sum which we first understood was sufficient for the supply of England and the Continent together.

In page 47, you say—"There can never be any such thing as a superabundance of money in a country. If you fabricate a piece of paper and call it 20, when 15 only was necessary, it will stand for 15 and no more. If you double the quantity that was necessary, it will count for 10 and so on." And in page 64–65, you say, that if bank notes were depreciated, "a note of 20s. would be *said* to be worth 19s. 18s. or 16s."

These are assertions which appear to me

altogether without proof. Suppose a farmer has the produce of his field to dispose of, and he demands for it £20. I tell him his price is extravagant; and he in return, tells me that the commodities which *he* has to buy are also most of them, extravagantly high, and and that a pound note will not go so far in his domestic economy, by one-fourth, as it formerly would. What then, I reply, there is a scarcity this year? No, says the farmer, there is no scarcity. Then you consider bank notes at a discount of 25 per cent.?—I consider nothing of the kind; but if you please to consider the matter so, you may have my produce for £15 sterling, reckoning the note at 15s.: this seems to you a fair price, and I am satisfied if I receive the same number of bank notes for the produce of my field.

With regard to the more direct com-

parison of pound notes with shillings, in the ordinary occurrences of exchange, the extent of these operations may be too trifling to determine the value of any circulating medium. You certainly receive 20s. for a note: but, on the other hand, if I spend 10s. in a shop, and lay down a guinea for payment, I shall receive in change, merely the complement of 21s., although you will allow that a guinea is worth 25s. at the least. As to the present adulterated silver currency, I am not sure that 20s. are really of more value than a pound note: but if I possessed twenty new shillings of proper weight and fineness, I should account them of more value than a promissory note, and should exchange them, only with the persuasion that the delusion which possessed the public mind, would last long enough to enable me to vest my note in actual property.

Speaking of the Portuguese paper currency, you remark, page 62, that " at the time of the emigration of the Prince Regent, the discounts rose, I believe, to something more than 40 per cent, which I understand is now again reduced to about 27 per cent. That it should be worth any thing at all, is truly surprising, for there does not appear a possibility of it being ever redeemed."

In this passage you express your astonishment, that the Portuguese should give any thing at all for the promissory notes of their Government, which in your estimation are now passing current at 70 per cent. above their proper value. This is an extreme blindness on the part of the majority of the inhabitants of Portugal; and it is of little avail, that a few persons see the matter in its true light, if

the bulk of the nation are determined to shut their eyes. Possessing a false confidence, mankind is too prone to entertain an aversion from investigation; and to refuse to be convinced, when changes and troubles would be the consequence of conviction.

Influenced by some similar idea of security, as delusive and as false, may not the people of England submit to an imposition of 20 or 30 per cent.; or, in other words, suffer themselves to be half as much imposed upon as their allies the Portuguese?

In page 45 you state, that you differ in opinion from Dr. Adam Smith, who " lays it down as an axiom, that an overabundance of money causes every other article to rise."

Let us recollect, however, that it is not necessary that an article should become more valuable, because the price advances. If any species of property become what is called dearer, owing to the accumulation of money, such property is not worth more to me than it would have been, had there been no accumulation of money, although in that case the price would have been much lower.

In page 51, you "do not hesitate to repeat, that if any single article could be found which bore the same price twenty or ten years ago that it does now, in relation to our nominal currency, this celebrated position, that a superabundance of money causes a rise in the price of all commodities, falls to the ground."

Have you forgot, for a moment, that a

principle may be good, although, in some instances, its operations be negatived by counteracting, but adventitious causes? Have you any proof, with regard to the article which now bears the same price as it did ten or twenty years ago, that it would not have been at a lower rate, if the price had not been supported by the influence of that principle which you disclaim? Might there not, by the intervention of innumerable facilities, have arisen a superabundance of that article, sufficient to counterbalance the accumulation of money?—and have you neglected to consider that, whether the price of commodities is prevented from falling, or assisted in rising, the tendency of the operating principle is the same?

It is almost superfluous to remark, that your illustration, in the case of a man returning to this country, after an absence of a dozen years, and finding lead and tin dear, and coffee cheap, proves nothing on the subject of the depreciation of bank notes.

Your idea of the impracticability of fixing an invariable standard value upon the money of a country, which value is designed to remain the same for ever, appears to me to be just. The ratio of the value of any article, must be ascertained and expressed by comparison with other articles. At the time when what is called the Bank Restriction Act was first passed, a pound note represented a certain proportion of the then value of a guinea; 21*l.* were worth 20 guineas. Since that period, Bank Notes have been the circulating medium, authorised by Government, and received with confidence by the people.

The obvious tendency of the augmentation in the value of gold, (arising from the supply falling short of the demand, the reciprocal proportions of which regulate the value, though not the price of every thing,) is to encrease the value of Notes, considered as the representatives of gold; which encrease of value in the Notes, by identifying them, in some sort with guineas, would check the rise in the value of guineas. Gold, however, being used in manufacture, and having, owing to the confidence of the nation, no superiority over the notes in the ordinary transactions of trade, would, when the scarcity of gold became manifest, be melted down, and so long as the molten guineas lasted, check the rise in the price of gold bullion. This expedient (the melting of the guineas, and we will join to it, if you please, their exportation, in lieu of bullion,) would naturally be very limited in its effect, i. e. the effect would live but for a short time. After this, the holders of bullion perceiving that that species of gold, which had by law and confidence, been identified with Bank notes, had disappeared, would reasonably take the advantage of their situation. They would find their gold of more value than it had been; they would perceive its growing scarcity, and the encreasing demand; and would doubt the propriety of any longer identifying Gold with Paper. Uncertain whether, if they part with their Gold for Paper, they shall ever again be able to exchange their Paper for Gold, they determine to make the best bargain they can, and leave it to the Company of the Bank of England, when they shall resume their payments in specie, to bear, as they shall be able,

that loss which has unexpectedly been created by the encreased value of Gold.

But this statement of the encreasing value of Gold is no proof of the depreciation of Bank Notes. It is true the value of Bank Notes has not encreased as the value of Gold; but they may, as you observe, for any thing that the rise of the price of Bullion has to do with the matter, have remained in statu quo: that is, of any article, which is now of the same *value* (I do not mean price) that it was 20 years ago; or, in other words, of which the proportion of the supply to the demand is the same as it was, the same quantity may, now, be purchased with a Pound Note, as could then, altho' a greater quantity might be bought with a Guinea, or, which is the same thing, with the price of a Guinea. The Guinea has changed its value: the article and the Bank Note have not. This is the extent of your argument: but here I must observe, you have not proved that any one article which bears the same value now as it did 20 years ago, and which could then be purchased for a Pound Note, can be so purchased, at the present time. You may tell me of the impossibility, from the nature of things, of such demonstration: I grant it: nevertheless, until you have so demonstrated the fact, you have not proved that Bank Notes are not depreciated.

I allow that the proportionate high price of Bullion does not, necessarily, suppose the depreciation of Bank Notes: but if the rise in Gold do not prove the depreciation of the Paper Currency, whilst such depreciation, if it exist, may

be accounted for in another manner, still the depreciation of Bank Notes may be *in part* the cause of the high price of Bullion. When you speak of the invariableness of Pounds, Shillings, and Pence, which you call "our true and only standard," (page 29) and which, though the price of Gold had fallen, would nevertheless, you say, have "remained in statu quo;" I think you do not sufficiently distinguish between these denominations, and One Pound Bank Notes. *£*, *S*, and *D*, will always be *£*, *S*, and *D*, but Bank of England Notes may or may not remain in statu quo, according to circumstances. The fact, that Gold is rising in estimation, is no evidence that Bank Notes are *not* falling. It is in this part of your subject that your argument deserts you. Mr. Huskisson may have failed to prove that Bank Notes *are* depreciated;

but I humbly conceive, you have failed to prove that they are *not*.

Page 39—40, you say, "Nothing surely can be so childish as the proposal of the Bullion Committee, to force the Bank to pay its notes in Gold, at the rate of £3 17s 10½d per ounce, when the real value and actual price is £4 12s per ounce: it would be the same as to say, this is to give notice, that we, the Government of Great Britain, at the end of two years from the date hereof, will sell Gold or Silver at 20 per cent. less than its value, and will raise a tax upon our subjects to pay the deficiency."

I do not know upon what ground you can identify Government with the Bank Company, except inasmuch as the Bank may have afforded Ministers advances

without any consideration in return. To what extent this has been the case, is best known to Government and the Bank. If such accommodation have been granted in any instance, the people of England are not yet sensible of the full burthen of their taxes; and it matters not, whether the Country receive a dividend of 15s in the Pound from an insolvent Bank, or whether Government enable the Bank to pay the full 20s, by imposing a fresh tax upon the country to the extent of 5s in the Pound on the Promissory Notes now in circulation.

If the Bank Company have received due consideration, let them draw in their Notes, and part with the consideration received;—to talk of paying the Notes in Gold, at the standard price, is extravagant: but inasmuch as the Bank has not the *value* in property, of their Notes in circulation, so much are their Notes *depreciated* in point of real value, though by delusion, they at present continue to pass. If the Bank Company have only value for half their Notes, the Notes should now circulate at a discount of 50 per cent. How much of this discount is now tacitly allowed under the veil of advanced prices, and how much is dispensed with through delusion and false confidence, it is not very easy to ascertain. Parliament can oblige the Bank Company to clear up this matter to the country; in which event the discount, whatever it be, must be borne either by the holders of Bank Notes or by Government, that is, by the Country.

As to the mode by which the Gold Currency is to be restored, you suggest,

page 57, "That the directors of the Bank should be instructed to purchase Gold at the market price, wherever it can be found, and when they have acquired what may be thought a sufficient quantity, let the Government order a new Coinage, which may be issued as soon as it is ready, were it only to a small amount; promising the repeal of all laws of what nature soever, relating to the Coin; let the new pieces be of a certain weight of the standard fineness, without any limit as to their value; suppose each piece to be exactly a quarter of an ounce, and let the value fluctuate according to the market price of the metal."

To the policy or equity of this proposal I cannot subscribe: it would throw the whole weight of the difference between the market, and what is called the mint price of Bullion upon the Nation; without allowing the Bank Company the opportunity of proving that they themselves should not, at least, sustain part of this loss, over and above their proportion which they must necessarily bear as individuals of the general community. That part of the loss for which Government may be accountable, I am aware must be eventually borne by the country; but in all fairness, let us know the extent of the loss, (if there be any,) and let us be openly taxed for the payment of the amount.

How then you will ask, are all these differences to be adjusted, and who is to decide what portion of the apparent depreciation of Notes is to be borne by Government, what part by the Bank, and what by the Country? I will answer,

the matter must be settled by the parties in question; Parliament will attend to the interest of the nation, and Ministers and the Bank must manage their part of the business for themselves. If the accounts of the Bank are definite and clear, it will be very possible to discover what proportion ought to be borne by them and by Government, and the balance must be borne by the Country; considering the Country (conjointly indeed with Europe and the United States) as the regulator of the value of Bullion, and alone answerable for the effects which any augmentation of the value of Gold may produce upon the Currency of the Realm.

You do not say what mode of payment you would wish the Bank to adopt for this Gold which you recommend them to buy at a market price. If they pay for it with Notes, or with Bills resolvable into Notes, you do not advance one step towards the attainment of your object—the redeeming of the Paper Currency. On the other hand, if value is given for the Bullion in actual property, it might be as well to receive Notes for such property, and having so redeemed them, burn them at once, as to receive Gold which they must immediately part with, in the purchase of their Notes. If the Bank Company possess assets sufficient, by the disposal of them, to draw in their Notes, excepting such as they have advanced to Government, let them adopt that expedient. Leaving Gold out of the question, the increased value of Bullion will no longer be an argument for their not redeeming their Notes. If all the Gold in the world were annihilated, the Bank would be no less liable to re-

deem their Promissory Notes. When they parted with their Specie they received, or ought to have received, value in return, and it is that value which they must now exchange again for their Notes. The relation between these Notes and any consideration received, is not affected by the rise in the value of Gold; it may be the same now as at the time of the exchange, or if there be any variation, it may be in favor of the Bank; if it be not, the transaction being voluntary, the loss must be borne by the Bank: and here it is evident the Bank would, in the first place, be gainers, inasmuch as the Paper had depreciated, owing to improper issues, which gain has been a loss to the country, felt in the advanced prices of commodities. For this the nation should be indemnified; and this indemnity may be accomplished through the medium of Government, when the account between the Treasury and the Bank is settled; thus reducing the amount of that tax upon the people which may be necessary to redeem advances made to Ministers without consideration in return. With respect to any such advances, part of the loss has been already borne by the Country, inasmuch as the whole Currency of the Kingdom may have been by such over issues, depreciated. The present actual value of such advance is yet to be borne by the Nation.

A new coinage of Gold may at the same time be necessary; but to this, no stated price, in reference to Notes, can or ought immediately to be fixed. Both Gold and Silver might rise in estimation in proportion as Bank Notes were withdrawn. Some confusion might be oc-

casioned in agreeing about the value of this new Currency, but I do not see how this is to be avoided. That the Bank should take up their notes with Gold at the rate of £3. 17s. 10½d. per ounce, I conceive to be utterly impracticable, consequently some other expedient must be adopted.

With regard to the solidity of the Bank of England, it is quite inconclusive for Mr. Huskisson to say, that the opulence of that Company is such as to exalt them above all suspicion as to the adequacy of their means to discharge their debts. They might be rich at the establishment of the Bank, and may be so at the present time; but the bulk of the Nation know nothing of the wealth of the individuals composing the Company; and suspicion may exist in the minds of many, whether justly or unjustly founded. Bank Notes may be depreciated, not only from the natural consequences of a superabundance in quantity, but further, from the idea that such superabundance would not have arisen, had the Bank been competent to avoid it.

The following passage of Mr. Huskisson's Pamphlet anticipates your principal argument—the scarcity of Gold. You have drawn opposite conclusions, but in my opinion, equally erroneous. In page 24, Mr. Huskisson observes—"Gold in this Country, as Silver at Hamburgh, is really and exclusively, the fixed measure of the rising and falling value of all other things in reference to each other. The article itself, which forms this measure, never can rise or fall in value, with reference to this measure; that is, with re-

ference to itself; a pound weight of Gold never can be worth a pound and a quarter of Gold, and being divided in this Country into 44½ pieces, called Guineas, an ounce of this Gold will always be worth one-twelfth of this sum, or £3. 17s. 10½d. The truth of these propositions, which cannot, I conceive, be called in question, would not be affected by any *imaginable* increase or diminution of Gold in the Country. By such an increase or diminution, indeed, the value of all other things (the quantity of those other things, and the demand for them continuing the same,) would be increased or diminished in the same proportion with reference to Gold; but Gold itself would still remain, just as much as before, the fixed measure of the rising and falling value of all other commodities, in reference to each other."

Mr. Huskisson's position is this:— "Bank Notes are the representatives of Gold. It has been fixed by authority, that £3. 17s. 10½d., Paper Currency, shall be the price of an ounce of Gold, therefore this ought to remain the price now and for ever, notwithstanding "any *imaginable* increase or diminution of Gold." He has not attempted to prove that there is no scarcity of Gold, though that seems to be his opinion. For the sake of argument, let us reverse the subject, and suppose an *increase* in the quantity of Gold; and since we are allowed all "*imaginable*" extent, I will suppose a Mine to be discovered in Scotland, and that ten times the quantity of Gold now circulated through Europe, is suddenly diffused— What would be the fate of Bank Notes? Must £3. 17s. 10½d., Bank Currency, still be given for an ounce of Gold? Must

a man, who has lodged property in the Bank of England to an amount worth 10,000 Guineas, owing to the discovery of this new mine, but only worth 1,000, a month before,—must he be told, when he comes to demand *value* for his Thousand Notes, that he is to be paid at the rate of £3. 17s. 10½d. per ounce? That the Company indeed will sell his property for 10,000 guineas; but that all justice is done to him, for that Gold has a standard price, and that price fixed by an Act of Parliament; that it is useless for him to say, that he was lately as rich as is neighbour, and will now be worth only a tythe of his substance, by vainly expecting from them, value in return for value given; that there is no argument in this, for if he loses 9,000 Guineas, the Bank gains as much.

I am aware that this argument would justly be considered weak, if I did not look upon the Bank of England as a National Institution, established, or at least conducted, for the benefit of the people; between whom and the Bank there should be a liberal understanding—a reciprocity of interests; value should be returned for value received. Neither the Company, nor its Creditors, so far as they are mutually concerned, should be affected in their interests by circumstances over which they have no controul. The Bank should not profit by a superabundance, nor lose by a scarcity of Gold.

Let it not be objected, that I have supposed property to be vested by individuals in the Bank, and that this is literally seldom the case. I will allow, that if a man deposits 1000 Guineas, and there

happen a sudden depreciation in their value, he cannot in justice demand any thing but his guineas back. I contend for the principle, that the Nation should not lose by the Bank, nor the Bank by the Nation. If the Bank issues a million of Notes, it receives valuable consideration in return, either in gold, or some equivalent, estimated by the price of gold at the time. This gold so received, and, we will say, worth 3*l.* 17s. $10\frac{1}{2}$d. per ounce, is employed by the Bank at the requisition of Government; or vested in property or security of some kind or other. This property, or security then, is the regular counterpart of the Bank Notes, and the criterion of their value: consequently, although the value of Gold were doubled, the demand increasing, and the supply lessening, the relative proportion of the value of the Notes (at the time of issuing) to the property, the criterion of that value, remains the same. Nor has a man a right to complain that he is not paid in gold, if he receives an equivalent for the value deposited.

A. B. sells his field for 100 guineas, and receives £105, Bank Notes in payment, at the estimation of *3l.* 17s. 10½d. per ounce of Gold. This field is, about the same time, purchased by the Bank. We will suppose now, a great scarcity of Bullion, which becomes twice as valuable as formerly—A. B. takes his 105*l.* to the Bank, and demands guineas: no, says the Bank, here is your field, which is as valuable now, as it was when you sold it; the demand for the produce of it, and the proportion of such produce to the general stock of the country being the same. If you had wished to speculate in gold, as a

commodity, you should have received specie for your field, which you might have obtained at one-half its present price. If you had possessed this foresight, you might now have been rich; as this is not the case, you must not benefit by the chapter of accidents, at our expense. I support, that justice is done to A. B. And here I will remark, that whether the value of Gold encrease suddenly; or gradually, during the operation of the Bank Restriction Act; the result is the same. The effect of the Bank Restriction Act, will be to make the whole alteration in the value of Gold perceived at one time—the period when payments in specie shall be resumed.

I know it may be said, that this field, or any species of property possessed by the Bank, in lieu of Gold, is liable to fluctuate in its value. Certainly, it may either rise or fall, or a balance may accrue from the rise of some species, and the fall of others. This is a matter of Profit and Loss, and the Bank must look to it. What I contend for is, that if they *actually do* offer back an equivalent to the consideration received, nothing more can in justice be required. Looking at the Bank Company and the Public as the two parties in question, all fair profits may be allowed on either side, provided the profits of the one be not made at the expence of the other.

What seems to me, the fundamental error in Mr. Huskisson's argument is, that he reasons upon the question, as if Bank Notes had been at all times convertible into gold. Had this been the case, the price of gold ought still to be £3.17s.10½d.

Bank currency, per ounce: not that the value of gold would have remained the same; but that the paper would have followed it, in all its variations, being its accredited representative. But the Bank Restriction Act dissolved at once this mutual connection between paper and gold. Since that period, Bank Notes have been the counterpart of any consideration, actual or implied, covenanted for by the Bank Company in lieu of their paper issues; and as Mr. Huskisson allows, that the value of such consideration "with reference to gold," may have changed, it follows that the relation between Gold and Bank Notes, the counterpart of such consideration, may have changed also.

What, in the present situation of things, is the best course to be pursued, I pretend not to decide. In the appendix to your pamphlet, page 92, you advert to the very small quantity of specie in the Bank, at the period when it stopped payment; and upon consideration of this circumstance, you despair of the practicability of the scheme which you first proposed, and which I have noticed above.

This scheme still appears to me to be practicable, though objectionable for the reasons I have stated. If the Bank, by the disposal of the assets of the Company, were to collect such quantity of Bullion, as could by such assets be collected, the quantity of Gold to be given for each Note, would be regulated entirely by the proportion which their stock of Bullion bore to the quantity of Notes to be redeemed. You say, that "4 or 5 millions would be necessary for the dirty little notes under £5." You do not, surely, mean

that 4 or 5 millions of *Guineas* would be necessary to redeem as many Pound Notes, (allowing for the difference between the legal value of a Guinea and a Note). You will recollect that, according to your scheme, the new pieces should be "without any limit as to their value," and their value would be regulated by their use; that is, by their proportion to the quantity of notes to be withdrawn. The price of Gold might, and probably would rise to £10 per ounce, if the measure were suddenly adopted before an importation of Gold could arrive from the Continent. But supposing the measure to be carried into execution in the most deliberate manner; allowing full time for the assumption of the balance of the distribution of Bullion, between this and other countries, nevertheless, that part of the rise in the price of Bullion, over and above what is occasioned by the augmentation of its value, would be so much loss to the Country. Here then is the injustice of the scheme; for you must consider, that if there be a depreciation in the Paper Currency, (and you have not proved that there is not,) the effects of it would influence the price of Bullion, as well as of any other article whatever; at least, in some degree, although I consider the present price of Bullion, with reference to Notes, a very arbitrary rate, and its value, with respect to all other articles, very inaccurately ascertained; which I conceive must needs be the case, so long as the purposes of Gold Currency be performed by Paper; so long as Bank Notes be the legal substitute for Guineas.

From the view which I have taken of the subject, it seems to me impossible for

a person, necessarily unacquainted with the occult transactions of the Bank of England, to offer any demonstrative, and absolute proof of the depreciation of our Paper Currency. The subject does not admit of direct and positive evidence. Argument may be opposed to argument, and conclusions warrantable or unwarrantable, will be deduced on each side of the question. The burthen of the proof rests with the Bank. If the nation, with reason or without, is dissatisfied, it is for the Company of the Bank of England to remove their suspicions, and to allay their fears.

Such are the ideas which have occurred to me, from the consideration of the subject before us; and principally, from a review of the argument adopted in your Pamphlet.

I am not so felicitous in conclusions as are you and Mr. Huskisson. With respect to yourself, you have finished your labours with the pleasing consciousness, that you have proved to the world that Bank Notes are *not* depreciated. Mr. Huskisson finds consolation, that at least he has developed the truth, which is, that Bank Notes *are* depreciated. For my own part, after what has already been urged, I feel myself induced by something very like necessity, to allow my readers to judge for themselves. The case is before them, and of mathematical proofs, on one side or the other, I have none.

Individually, Sir, I must request your pardon for any tediousness of repetition, or too minute explicitness of detail. The foregoing sheets will soon be laid before

the public; to whom you are very well able to judge, how far it is necessary to apply the adage, "a word to the wise."

THE END.

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