59-9

0270

VALUABLE PUBLICATIONS,

printed for

J. J. STOCKDALE, 41, PALL-MALL.

Supposed by Mr Herries private Secretary to Mr Perceval

ART. II. *Report, together with the Minutes of Evidence and Accounts, from the Select Committee, on the high Price of Gold Bullion.*—Ridgeway, 1810. Ordered by the House of Commons to be printed.

Practical Observations on the Report of the Bullion Committee. By Charles Bosanquet, Esq. Richardson, 1810.

The Question concerning the Depreciation of our Currency stated and examined. By Wm. Huskisson, Esq. M. P. Murray, 1810.

THERE are two common methods of arriving at practical conclusions on great questions of public policy. One is, to refer the facts on which the discussion arises to the strict rules of political œconomy; and having done this, simply to recommend the course of practice deduced from the application of those rules to causes, which have formerly given rise to similar facts. This mode is seldom adopted by experienced statesmen, although it is often recommended by men of reading and philosophical habits.

The other method is, to institute a rigid inquiry whether any extraordinary causes, different from those which have formerly produced the same effect, may not have given rise, in the present instance, to the facts under discussion; and having procured satisfaction on this point, and keeping in view the rules of science on the subject, to adopt such remedies as the exigency of the case may seem to require. This is a less compendious method we admit, but it is that usually adopted by experienced statesmen, although often strenuously condemned by the studious and the philosophical.

There is, to be sure, a third method, which has sometimes been pursued by sanguine politicians. These gentlemen are very apt to form *preconceived opinions* from notions that have been long revolving in their own minds, and when the circumstances occur to which those opinions appear applicable, they have recourse (for form's sake) to inquiry as to facts, and the opinions of others; but have an unfortunate tendency to wrest them all into a confirmation of their own previous judgment. This is a mode of proceeding no less dangerous in practice, than unphilosophical in theory. In politics it is nothing less than holding out a premium to imposture, and it opposes an insuperable barrier to all progress in science and in morals: it is, in short, so much the bane of every good cause, that men can scarcely be too circumspect in their precautions against falling into so fatal a snare.

Now the reasons, that would induce a prudent and sagacious statesman to prefer the second of these methods, are obvious. The science of political œconomy, being a set of conclusions drawn from general principles, is of course intended for general application. It is presupposed that *all the nations* concerned in any question involving those principles will fully act up to them, because it is their interest to do so; or if any particular nation refuse so to act, that it will suffer for the deviation to the advantage of the rest. This supposition in ordinary times, or in times the same as when the principles of the science were laid down, is perhaps correct, and will usually be justified by the event. But the case is very much altered when the ordinary systems of policy are completely overthrown by extraordinary causes. If, for example, from the acquisition of overgrown power, from a commanding influence acquired over the majority of a commonwealth of nations, any particular government takes upon itself to dispense, at its discretion, with the usual and received principles of policy and good faith in its intercourse with another, and to force all those under its controul to do the same, what would be the consequence of an adherence on the part of the injured state to the plain and accustomed rules of political œconomy? Would it not lay itself prostrate at the feet of the hostile power, and act the part of a combatant, who should strip himself naked to contend, according to the received laws of the arena, with one who was known to have a poisoned dagger in his possession? For it appears to us, that by adhering to a set of known rules, the conduct of one party can be anticipated, while the others have both the will and the power to depart from those rules, if they can thereby injure the party which adheres to them.

These observations apply with peculiar force to all questions involving the freedom of commerce. Undoubtedly commerce will thrive best, and most enrich the nations carrying it on, when all parties concerned permit it to be free: further, perhaps the *commercial* party which first imposes a shackle will suffer, while the rest profit by it. But what if one party, and that the most powerful, has little commerce, and drawing the sources of its power and greatness from other springs, regards not that little, and would cheerfully sacrifice it, could the other party be thereby injured? Must not such a system in the former power derange all the measures of the latter, however well-founded in general principles? Must it not be reduced either to suffer injury at the discretion of the aggressor, or by adopting temporary expedients according to the exigency of the case, to ward off the threatened blow?

Such are the grounds upon which it appears to us that the

practical part of the question respecting the depreciation of our currency should be discussed. We have a powerful and inveterate enemy, who will not hesitate at imposing any sacrifice upon his own subjects, or upon the rest of Europe under his controul, if he can thereby destroy or materially injure our public credit. He knows that our powers of resisting or injuring him, consequently that *our* existence and *his* danger, depend upon the maintenance of our public credit: his own is completely gone, nor does he at present wish for its restoration. He is therefore absolved from all the usual ties which bind governments in ordinary cases; and his chief object, because his chief interest, is to profit to our injury by such opportunities as our strict adherence to general principles may offer to his unprincipled aggressions. Many attempts of this kind has he lately made upon our commerce, and they have been accompanied, *in point of time*, by events calculated to give rise to serious political discussions. Specie has been gradually disappearing from our circulation for the last two years, and the vacuum has been filled up by an increased issue of paper currency; at the same time an extraordinary difference has taken place in the relative value of gold, and our general currency. The exchange *with the continent*, during the first fifteen months of that period, turned, and continued very much against England, though it has subsequently in some degree recovered; commercial credit has been partially shaken, and an unusual number of bankruptcies has occurred.

Attempts have been made to account for these phænomena in various ways. The publications before us appear to contain almost every argument worthy of notice, that has been advanced in the earlier stages of the discussion. They constitute quite a sufficient mass of materials upon which to found a general statement of the question; and we are induced by the following reasons to confine the present article to them, rather than to include a greater number of the numerous works which have appeared. First, that we may avoid the confusion and prolixity necessarily incident to numerous references to, and quotations from, different works. Secondly, that, having here embraced the general outline of the subject, we may be enabled, by a future reference to the subsequent publications, to illustrate its several parts in detail, and either to fortify our present opinions, or to correct such as may hereafter appear to be erroneous. Of each of the works stated in the title to this article we think it our duty to give a concise and general description; and afterwards, by occasional quotations, to fortify the conclusions we are about to draw from our own reflections, and from a careful perusal of what has been written. We hope thus to make this difficult and intricate subject intelligible to all who are conversant with the first principles of political œconomy, and who will bring to the discussion patient attention, and a plain understanding.

The Report, as is well known, contains a great mass of evidence on one side, and a great mass of opinion contrary to most of that evidence, and to the opinions of many of the witnesses, on the other. We are far from purposing to insinuate that the opinion of the committee is *necessarily wrong*, because it disagrees with that of the witnesses, and with the tenour of their evidence. When theory is opposed to practice on any particular question, either may be right. But we may surely be allowed to contend that the subject is left more open to discussion than if both had agreed in one opinion.

The Report is also drawn up with a semblance of logical precision, and with so much attention to the technical language and peculiar phraseology of the best treatises on political œconomy, that it assumes altogether a very imposing appearance to a man of liberal education engaged in the first perusal of its contents. How far a more intimate acquaintance justifies this early impression, and how far under this fair outside " the real substance of good" is to be discovered, the reader of the following pages will be pleased to judge for himself.

But it will be a long time before we cease to lament, that the conclusions, whether true or false, were suffered to go forth at this critical period of our foreign relations under so strong a statement from very high authority. We cannot conceal our impressions that they furnish most efficient implements to our enemies for weakening our influence among our friends. A distinguished politician on the continent, whose opinions have great weight there, although he is known to be attached to this country, wrote to one in England to know if he admitted the justice of the conclusions drawn in the report; stating at the same time, that if he did, the cause of England was at an end. When we think of these consequences, and the extent to which the activity of our enemies must have pushed them, we are more than ever disposed to bring the arguments on which they rest to a rigorous scrutiny. And although we fully acquit the framers of the Report of all party views, or unfair purposes, we cannot but regard the Report itself as the innocent cause of some eventual mischief to our country, and of much embarrassment to its government.

Mr. Huskisson's pamphlet contains, in a small compass, a very intelligible and satisfactory statement of the received principles of political œconomy bearing on the subject; and although we are far from implicitly admitting all his positions, such, for ex-

ample, as his unreserved assertion, that a promissory note *represents value* only inasmuch as it is an undertaking to pay *in money* the sum for which it is issued, &c. &c.; yet we readily allow that they are in general laid down with ability and science. Upon these scientific positions Mr. H. has built a number of practical conclusions decidedly hostile to the Bank Restriction Bill, the amount of our existing currency, and the present facility of discounts at the Bank. These conclusions are generally a mere echo of the Report. But his pamphlet is much superior to that production in merit of composition and perspicuity of style. It is indeed extremely well and correctly written, and highly calculated to propitiate the favour of every reader of taste. He should, therefore, carefully hold his judgment in reserve, till he has had an opportunity of referring the first favourable impression to the standard of fact and experience.

Turning to Mr. Bosanquet's pamphlet, this caution is by no means so necessary. It is, however, the production of a plain, well-educated English merchant, who thinks that he perceives in the labours of his opponents arguments unfounded in fact, and conclusions not only fallacious, but practically mischievous. He addresses the public in plain and intelligible language; and it would be unfair not to admit that he lays before it much valuable matter on the side of the question which he supports.

Mr. B. differs *toto cælo* both from the opinion of the committee, and of Mr. H.; and maintains his ground well against antagonists so formidable, by opposing *his* facts to *their* arguments. We, too, differ from the Report and its abettors, although we cannot entirely agree with Mr. B. Our opinions, indeed, are at some variance with all that we have seen. We shall therefore, without further preamble, state briefly and plainly those points in which we agree with the principles of the Report, and those in which we differ, and then proceed to the discussion of each in their order.

1. First, then, we are perfectly ready to admit, that our present currency is (in common parlance) depreciated in reference to *gold* bullion as its *standard* of value; though we think it would be more correct to say, that the value of gold bullion has experienced a temporary but considerable rise above that of our currency, *whether coin* or *paper*. We draw this distinction because we think that the value of gold in coin should be distinguished from that of gold bullion. If the melting down and exportation of coin could be effectually prevented, the value of bullion might be, in almost any assignable degree, greater than that of coin. If the mint should be stopped, and no paper or other substituted currency be allowed, it might be in almost any

assignable degree less. Now a Bank note is the representative not of bullion but of coin; and if it preserves an equivalent value to coin, it is not *depreciated*, in whatever degree it may be inferior to the value of bullion.

2. We do by no means admit that this difference in value has been caused by excess of paper currency arising out of the Bank restriction, but principally by an extraordinary rise in the price of gold, occasioned by the *demand* created for it *in the home market*, in consequence of the necessity, (imposed upon our merchants by the state of exchange and of commerce with the continent,) of exporting gold thither to the utmost extent in which it can be procured. In discussing this point it will also appear, that the *unfavourable* state of exchange with the continent has neither been produced nor continued by the abundance of paper currency at home, (as is also contended in the Report,) but by other causes arising out of the extraordinary state of our commerce. This completes the first head of inquiry as to the causes of past and present effects. But as these bear but indirectly upon the probable occurrence of future mischief, the one being matter of fact, the other of contingency, it seems necessary,

3dly. To inquire into the evils and advantages, that would result from protracting the resumption of cash payments at the Bank to an indefinite period, or till hostility against our commerce has ceased upon the continent; and,

4thly. Into the evils and advantages which would arise from eventually shortening that period, by *now* fixing upon some precise time when the restriction shall be removed.

The result of this part of the argument will (we think) appear to be, that although the Bank restriction should certainly be considered as a *temporary* measure; yet, as no sound patriot or statesman would remove it *with a moral certainty* of being speedily obliged *to have recourse to its re-enactment*; the only possible time for removing it with prudence is, when the accustomed freedom of commercial intercourse shall be re-established with the continent *upon a perfectly secure basis*. The evils which we may suffer in the interim, by delaying it till then, appear to be much fewer than those we should be exposed to by removing it sooner.

Upon the whole, it seems to us very possible, that in ordinary times the application of the remedies recommended in the Report might attain their professed object. But then it may perhaps be deduced from the very reasoning of the Report itself, as well as from former experience, that the evils proposed to be remedied could *scarcely by any possibility exist in ordinary times*;

an observation that certainly, in some degree, affects the *utility* of such remedies. We are, indeed, pretty well convinced that in countries where the blessings of free discussion are enjoyed, sound general principles are seldom widely departed from, except in *cases of necessity*. Where such a case is proved upon free discussion *really to exist*, it is worse than useless to agitate men's minds by urging a return to principles, which only its not being possible prevents all parties from promoting.

We shall endeavour to confine the discussion within limits as narrow as can be made consistent with attaining its professed objects; but we fear that even these will lay us under the necessity of drawing very largely upon the patience of our readers.

1. First, then, as to the fact of depreciation.

If, as is justly observed by Mr. H., a light guinea, which may be legally melted, will sell for 24*s.* and a fraction, while a heavy guinea can only be exchanged for 21*s.*, because the law makes it penal to melt it or to sell it for more; if a pound of gold, which can only be coined into $44\frac{1}{4}$ guineas or 46*l.* 14*s.* 6*d.*, will sell in the market for 56*l.* paper currency; or if 46*l.* 14*s.* 6*d.* paper currency will only purchase $10\frac{1}{2}$ ounces of gold, instead of 12 ounces or a pound; then is paper currency, and the guineas which circulate with it under authority of the law, most certainly and evidently of less value in the market than *all other gold*. And "*taking gold* bullion as the STANDARD to which the prices of all other commodities are to be referred, any one which is equivalent to a pound of gold is also equivalent to 56*l.* in paper. The difference therefore between 46*l.* 14*s.* 6*d.* and 56*l.* is the measure of *the difference in value*" between gold bullion and currency, or in common parlance of the *depreciation* of our currency. (Mr. H. p. 15, et seq.)

But in admitting this fact, we beg not to be understood to assert, that the relative value of *our currency* has been depreciated with respect to *commodities in general* in *the home* market, or to the *currency* and *commodities* of *foreign countries*; but simply with respect to gold bullion in *our own market*, in consequence of the said gold bullion being adventitiously raised in a small degree above the relative value which it usually bears to that of other countries, and in a considerable degree to that which it usually bears to currency and commodities in this. P. 31

We are fully aware that it may be said, if gold in this country were adventitiously raised above its relative value to gold in other countries, and to currency and commodities in this, the natural effect would be to *bring* gold *into* this country, not to carry it out. We admit that it would be so, if any profitable use could be made by foreigners × of gold sent to England; × but the balance

× If natives can make a profitable use of gold, it is impossible to see why foreigners may not do the same — yet it is to be observed that without a profitable use could be made of gold, the price of it would necessarily fall of payments (as we shall presently shew) being *now* against us, a foreign merchant could only send gold hither to purchase commodities for exportation to the continent: this he certainly will not do unless the goods, when bought, can be admitted into the continental markets for sale, which is notoriously not the case at present; he would not, therefore, send gold to England even if 5 dwts. 8 grs. of it would purchase thirty shillings of British currency. But this subject will be more fully discussed when we come to treat of the particular causes which have produced the difference in value between bullion and currency.

We are aware also, that the distinction, which we have taken between the relative value of gold bullion at home and British and foreign currency, will be received with great contempt by the advocates for the Report, who state *with very logical acuteness* that *gold* is *gold*, and that it is absurd to say, that an ounce of gold is worth more than an ounce of gold (See Rep. p. 5. Mr. H. p. 42.). To this triumphant proposition we beg leave to oppose another. A fat sheep weighing 80lbs. is a fat sheep of 80lbs. weight; and absurd as it may appear to assert that 80 pounds of mutton are worth more than 80lb. of mutton, yet where ten sheep are to be divided between 100 purchasers in one place, and 500 in another, a tyro in political œconomy will admit, that the 80lb. of mutton will, *cæteris paribus*, be worth just five times as much in one case as in the other; and that a man who wishes to get credit in the former place for a pound of mutton in the latter, must give five in exchange. Now the supply of gold in a country *situated as Great Britain is at present* being necessarily finite, its value must of course be raised or lowered in the same manner by an increased or diminished demand.

But, says Mr. H. (p. 43.) "It is said that gold is dear, Bank notes cheap; but Bank notes are of the same value as gold!" Thus stated, the proposition certainly appears absurd; but we would just observe that it is a perversion of the following; that Bank notes bear their usual proportion to the *average value* of gold, but that gold has now experienced a temporary rise of price *in the home market* above that average.

Let us now proceed to inquire,

2. Into the cause of this difference in value. This is asserted in the Report to be the excessive issue of Bank paper producing a corresponding excess in the whole amount of our currency (See Rep. and Mr. H. passim.). Now it is very certain that such a cause, *if founded in fact*, would produce the effect ascribed to it. But it is also certain that the same effect might equally arise from other causes. If the rate of exchange be (as *it will be presently shewn to be in fact*) very much against this

×

[illegible]

country, in consequence of the great excess of payments which it has to make abroad, beyond those which it has to receive from thence; and if, from the state of commercial regulations on the continent, where the demand against us exists, bullion must of necessity be exported to pay the balance to a larger amount than usual in proportion to the whole debt; *then* the demand for bullion at home will of course very much raise its price as a commodity. But it will leave (as we think) all other commodities, and the paper or currency representing them, of the same relative value with each other, and with the original and average price of gold*, which they bore before this temporary and extraordinary rise in the latter took place: just as a demand for neutral ships in time of war will raise the price of their tonnage, although they are not intrinsically more valuable than the ships of the belligerents. For example, suppose six pounds of wool to be worth a guinea, or a guinea's worth of corn, wine, or other commodity, when gold and general currency are at par: a demand for gold to export suddenly raises its price at home a seventh part, and 5 dwt. 8½ grains of gold bullion become equivalent to a seventh part more of corn, wool, or other commodity; may not a seventh part more of general currency, or 24 shillings in paper, be also given for the guinea's weight of gold, without any injury to the state or to the proprietor of the paper? Twenty-one shillings in currency or paper would still buy as much in the market *as it would before*, or as the 5 dwt. 8½ grains of gold would have exchanged for before extraneous circumstances raised its price; and, strictly speaking, currency and commodities would not be really depreciated or *lowered in value*, but gold bullion would be raised in value. × 26

[illegible]

It is true, that this rise in the price of gold would, *according to the stated rules of political œconomy*, *lower the price* of all other commodities in the market, and consequently have a tendency to force their export; which in ordinary times would restore the rate of exchange and the value of gold to its original state. But (omitting the considerations in the last paragraph) what would be the consequence if such difficulties or prohibitions existed against the admission of these exports into the place of their consignment, as would prevent or much diminish speculation in them in the home market even at any price? Would not such violent interference with the natural order of things entirely prevent the remedy? Would not the debtor country, in fact, be reduced to the dilemma either of giving up all commercial connection with, or other creation of debt to the hostile power, or of giving up its general principles, and substituting bullion in 27

* The *average* price of gold in England is of course intended to be expressed by the *mint* price.

VOL. I. NO. I. E

some means of substituting the exportation of Bullion instead of goods of our own manufacture to pay the debt which the conduct of our commercial connection with the continent [illegible] give scope to the industry [illegible] the real Bullion exportation for the goods which are refused? Turn the subject in any possible way, one of these two conclusions seems the inevitable result. If, therefore, under these circumstances, the debtor country is resolved by inclination, or reduced by necessity, to create a further balance of debt against itself with the creditor country, we confess that the most eligible mode of settling the difference appears to us to be that, which still leaves to the former the power of giving full scope to the industry of its inhabitants at home. It is obvious that this can only be done by the exportation of gold, and a temporary substitution of paper currency in the domestic circulation.

It is also true that gold then ceases for a time to be the standard of value, and is succeeded by another much more fluctuating and inconvenient. The standard being now, as we conceive, *such a value in the market as would have been represented by any given quantity of gold expressed in coin, had no extraordinary rise in its price taken place, and which is now represented by paper referring to such a value.* Some may be disposed to assert that this is no standard at all. But in truth, perhaps, it is fixing the standard in PUBLIC OPINION. Let us see what Mr. Bosanquet says on this subject:

"If a pound note be the *denomination*, it will of course be asked what is the *standard?* The question is not easy of solution. But, considering the high proportion which the dealings between government and the public bear to the general circulation, it is probable the standard may be found in those transactions; and it seems not more difficult to imagine that the standard value of a one pound note may be the interest of 33l. 6s. 8d. 3 per cent stock, than that such standard has reference to a metal of which none remains in circulation, and of which the annual supply, even as a commodity, does not amount to one-twentieth part of the foreign expences of government in one year." (B. p. 123.)

We pretend not to be the advocates for the convenience or eligibility of any of these as the standard of value. Indeed, we confess that Mr. Bosanquet's speculation on the subject appears to us rather fanciful. It is a nice and difficult question; and although we think our own explanation not unsatisfactory, our wish to throw all possible light upon it induces us to subjoin an opinion which we have received from a friend, to whom the utmost deference is due on subjects of this nature. "If (as I think) the standard of value, previously to the Bank Restriction Bill, was the pound sterling in legal gold or silver coin, it will be difficult to say at what time it ceased to be so. *Not* when the price of commodities rose;—*not* when the exchange turned against us;—*not* when bullion rose above the mint price; because all these circumstances might occur, and have occurred, while

the Bank was paying in specie. In short, I believe it to be equally the standard still, and that the difficulty lies in applying other objects to that standard, and in ascertaining that the representative currency still conforms to it."

Now we think that if our readers will take the trouble to compare this opinion with that which we have ourselves given, they will perceive a sufficient agreement between them to come to something like a satisfactory conclusion. They may, perhaps, be disposed to agree, that the standard of value *is in fact* the pound sterling of legal coin; but that, from the general absence of such coin, this standard can be set up only in the imagination, or, as we have ventured to observe, in the PUBLIC OPINION. Whether the standard, however, to which our paper currency is referred be good or bad, we still contend for *the necessity of the case*, which our reasoning in a preceding paragraph*, *if founded in fact*, seems to demonstrate.

The next enquiry, therefore, is as to the matter of *fact:* and the question appears to be this. Since either cause, viz. excess in the issue of paper currency on the one hand, or the extraordinary rise in the price of gold on the other, is sufficient to account for the difference in value between gold and paper; to which will facts warrant us in ascribing it? The great difference took place about two years ago, and has continued to this time. We must, therefore, 1st, Ascertain whether the issue of paper just previous to, and during that period, has exceeded the fair wants of the merchant, manufacturer, and farmer; and whether any reasonable proof has been adduced of the actual existence of such excess? Should this not be the case, we must inquire, 2dly, Whether the rate of exchange, in consequence of the balance of payments, be not *really* as well as nominally against England, and whether an *absolute necessity* does not exist for a *continual exportation* of bullion to pay the difference, so long as it can be had at almost any price for the purpose?

1st. What have been the increased demands for paper currency in the last two years compared with its supply? In the first place, the specie withdrawn from circulation has amounted to a large sum, certainly not less than several millions. It is acknowledged at Amsterdam that not less than two millions of guineas were coined in Holland into ducats in the year 1809 only. Next, the real value of our exports in 1809 exceeded the average of the four preceding years by thirteen millions: of this excess a large proportion consisted of British manufactures; and although such of these as were consigned to the continent but very partially arrived at their destination, yet to manufacture and export them required currency and capital.

* See p. 25, par. beginning "It is true."

The number of inclosure and canal acts in 1809 and 1810 amounted to two hundred and eighty. The produce of the Customs and Excise has been gradually increasing. In 1810 the Customs exceeded their produce in 1809 by a million:—the Excise, a principal criterion of internal prosperity, by 1,170,000l. The Stamps produced an increase of 300,000l., and the whole surplus of the Consolidated Fund in 1809 was 4,448,719l. 14s. 4¾d.; while that of 1810 was 7,652,098l. and a fraction, making a total excess above the estimated produce of the taxes of more than twelve millions sterling in two years.

These are pretty solid proofs of increased internal industry, and consequently of a rapidly increasing demand for circulating medium; and we apprehend that the currency which supplies it cannot be deemed the part that *is excessive*. We may, however, add what is obvious to the senses of every man who travels about the country; that canals are cutting in every direction, and new ones constantly projected; that immense improvements are daily set on foot by capital laid out on old inclosed lands, in draining, embanking, &c. or in useful or ornamental buildings. Operations that give comfort and sustenance to thousands during their progress, and most of which, when completed, will afford enjoyment to our posterity, long after the temporary question concerning the currency which promoted them shall have ceased to agitate men's minds. All these, of course, require at present a proportionate addition of currency to circulate their produce, or pay the wages of the labour employed upon them*.

To supply this deficiency, and these demands, the Bank has issued an additional quantity of notes, to the amount of about 2,500,000l.; nearly 1,300,000l. of which being small notes, are intended to replace in part the coin withdrawn from circulation in London and the neighbourhood. About one hundred and thirty new country banks have been established, many of whose notes (being small notes) are of course intended to replace the coin withdrawn from circulation in the country districts. The old established country banks have also in some degree increased their issues. But great mistakes have been propagated with respect to the total increase of country paper currency. The Report (p. 28, 29.) has stated as *a fact*, that the issue of country

31

* We think it necessary here to remind our readers, that although an increase in the total amount of the currency of a country, the quantity of commodities to be circulated by it remaining the same, does certainly diminish the value of that currency; yet, by parity of reasoning, a corresponding increase *of both* leaves things just as they were before. The same relative quantity of currency and commodities continued *for eleven years after the Bank Restriction*, without altering the rate of exchange, or materially raising the value of bullion; effects which only occurred when *other causes intervened sufficient* (as we shall see) to account for them.

paper experienced in the year ending 10th October, 1809, an increase of 3,095,340l.; and it asserts as an invariable *principle*, that any increase in the quantity of Bank of England paper will be followed by a corresponding one in that of the country banks: —"The foundation being enlarged, the superstructure admits a proportionate extension." (Rep. p. 28.) Mr. Bosanquet appears to us so completely to disprove the *fact* and confute the principle, that we must give the passage at length.

Proof that the extent of the circulation of the Country Bankers not guided by that of the Bank of England

"Referring to documents received from the stamp-office, the Report states that in 1809 the number of stamps on notes re-issuable in the classes between 2*l.* 2*s.* and 20*l.* alone, indicate on an average calculation an increased issue of notes to the amount of 3,095,340*l.* beyond that of 1808; whence they infer an increased circulation to that extent. The statement is given thus:—

"Number of country-bank notes exceeding 2*l.* 2*s.* each stamped in the years ending 10th October 1808, and 10th October 1809.

	1808.	1809.
Exceeding 2*l.* 2*s.* and not exceeding 5*l.* 5*s.*	666,071*l.*—	922,073*l.*
Exceeding 5*l.* 5*s.* and not exceeding 20*l.*	198,473*l.*—	380,006*l.*

Averaging the first class at 5*l.* and the second at 10*l.* the stated result is produced. Considering the authority from whence the statement proceeds, there is not, I am persuaded, one reader in a hundred who has doubted its fairness, or the justness of its application; yet I am bound to impeach both. Extracting from the documents of the stamp-office a similar comparative statement for the years 1805, 1806, and 1809, it will stand thus:—

	1805.	1806.	1809.
Exceeding 2*l.* 2*s.* and not exceeding 5*l.* 5*s.* - -	823,460.—	832,940.—	922,073.
Exceeding 5*l.* 5*s.* and not exceeding 20*l.* - - -	302,600.—	323,100.—	380,006.

"Adopting the calculation of the Committee it will be found that the increased circulation in 1809 beyond that of 1806 is 512,000*l.* IN THREE YEARS, instead of 3,095,000 in A SINGLE YEAR; *and this is the fair mode of comparison*: for the Report states that these notes are RE-ISSUABLE FOR THREE YEARS; those issued in 1806 *are therefore renewed* in 1809, as those of 1805 are in 1808. The *aggregate issue* of the two years 1808 and 1809 *is less than that* of 1805 and 1806 by 115,477 stamps, equal to 775,000*l.*"

So much for the accuracy of the fact. We proceed to the justness of the principle.

"Had the statement been a fair and correct one, it would yet have been inapplicable to the case, (of proving the issues of country paper to *increase* in proportion to that of Bank of England notes.) Antecedently to June 1809 no increase had taken place in the amount of Bank (of England) notes beyond the circulation of 1808; yet it appears by the return from the stamp-office, No. 53, that the increased demand for stamps alluded to by the Committee took place in the latter end of 1808 and beginning of 1809," (when the current coin first began to find its way abroad in large quantities) "and that, as the issue of Bank (of England) notes increased between July 1809 and May 1810, the issue of stamps for country notes *materially diminished*.

"Number of stamps of the classes before stated issued in the following quarters.

In the quarter ending	Jan. 5, 1809	465,071	
	April 5,	324,008	
	July 5,	371,960	
			1,161,039

"Between July 1809 and May 1810 the amount of Bank (of England) notes increased from 18 to 21 millions. The issue of stamps for country notes (of the same classes) was

In the quarter ending	Oct. 1809	221,719	
	Jan.	284,658	
	April	262,365	
			768,742
Issue less in the last three quarters			392,297

which would imply a *reduction* in the country circulation, so far as the evidence of the stamps goes, of 2,600,000*l.* during the period in which the Bank circulation *was increased* very nearly to the *same amount*: had this fact been noticed by the Committee, it might perhaps have led them to inquire, whether the Bank Directors could trace their *increased issue* to any cause connected with the *diminution* of country bank notes." Mr. B. p. 80, et seq.

We do not hesitate indeed to qualify the connection supposed in the Report, between an increase of Bank of England notes and country bank notes, as nothing less than a NOTORIOUS ERROR, (p. 79). We consider the mode, in which this error is stated as an infallible truth in the Report, to be peculiarly worthy of the attention of the reader. It will serve to shew him the necessity of the caution which we ventured to recommend in the general character of the Report given at the outset of this article. The same observation also applies to Mr. Huskisson. Let any one refer to p. 28 of the Report (folio edition) also to p. 39, 40. of Mr. H.'s pamphlet, and consider the appearance of logical precision, and the imposing phrases drawn from the political œconomists in which the statement is made. Nothing in Adam Smith, or Sir James Steuart, has a more plausible or correct appearance: and we will venture to assert that until Mr. B. shewed its entire fallacy in fact and principle, it was generally received as a very conclusive piece of argument. A plain man who had ventured to doubt the fact thus supposed to be con-

clusively proved by speculative reasoning, would have been very roughly handled by the gentlemen who pique themselves on the universal application and infallibility of the theorems of political œconomy. Yet a point blank shot or two, by no means projected from ordnance of an extraordinary calibre, serves to shatter into atoms the shewy "superstructure," and the "foundation" being *completely removed*, we trust that there will be a "*proportionate*" difficulty in re-establishing the building.

Having given this complete refutation of the fact and principle advanced by the Committee, (the latter of which we must beg the reader to bear in mind for a future occasion,) we think ourselves authorized to carry an addition of country paper to the amount of between 5 and 600,000, to the increased circulation of Great Britain in the last two years. Within that period no improved modes of any importance appear to have been invented for settling the balance between merchants and bankers, without the intervention of currency*; though some increased accommodation must certainly have been given: for it seems barely possible that the portion of increase in the general currency, which a fair consideration of the preceding paragraph and extract would establish, could have been otherwise sufficient for the various wants and employment of the industrious part of the community. So far has it been from running into excess.

Still more direct proof of this fact, however, is not wanting. It appears from pp. 88, 89, of Mr. B.'s pamphlet, that the amount of our currency, which in 1793 was about equal to the sum annually paid in taxes to the revenue, is now, exclusive of country paper, equal to little more than one-fourth *of that sum*. That Mr. B.'s calculation in this respect is correct appears plain, if we consider that the payments on the consolidated fund and war taxes in 1810 amounted to 63 millions, about three times the greastest amount of Bank of England notes. To which must be added the sums paid into the Exchequer on loans. At the same time the increased price of every article of subsistence evidently requires

28

23

* The bankers settling-house, about which so much is said in the Report as of a *new invention*, (see p. 26,) has been established 35 years: a trifling improvement in the mode of settling the accounts took place a few years ago. It appears from the evidence of Mr. Thomas, that 46 *bankers* send their clerks every evening to this house: that the average amount of the drafts they *daily* bring thither is *four millions seven hundred thousand pounds!* A general interchange of the drafts drawn upon each banker takes place, and the average balance remaining to be paid in Bank notes is about 220,000*l*; except upon particular days, such as settling days at the Stock Exchange and India prompts, when the balance is about 500,000*l.* But then the daily amount of the drafts is about *fourteen millions!* What a picture of the transactions of the metropolis!

a larger nominal currency to circulate it. Moreover, in p. 123 et seq. (Mr. B.) there is a passage too long for insertion in this place, which gives fair ground for concluding, that the whole amount of the present circulating currency of Great Britain scarcely exceeds that which existed in 1793.

We cannot resist the claim upon our impartiality which one other passage of Mr. B.'s on this subject has for insertion at length. It seems to shew that *according to the past and present practice* of the merchants and of the Bank, the latter *cannot possibly maintain* an excess of their paper in circulation.

"There exists in the commercial world that degree of disinclination to discount at the Bank, which leads every man to recur to his banker for assistance before he sends his paper to the Bank; and, on the other hand, a banker does not allow a respectable customer to go to the Bank for accommodation, whilst he can with any convenience furnish it himself. This is in some measure matter of feeling on both sides; and not only so; for the Bank advances money on bills of a particular description only, and is undeviating in its adherence to rules and even to forms; neither does it take bills as a security for money to be repaid at the will of the borrower, as bankers do; but assumes the property in the bills, deducting discount for the whole term unexpired; so that a party wanting money for a week must pay two months interest for it, if he have no bills at shorter date to offer.

"I have already shewn with what degree of rapidity money finds its level among the bankers in London; and it results therefore as a general inference, that whilst there is money unemployed to spare in the city, discounters of the first class will not present themselves at the Bank: this statement will lead, I apprehend, to an explanation of the answer of the Directors to the inquiry of the Committee, as to any *rule* by which they regulate their issues of notes, so as to prevent excess.

"So long as the amount of notes in the hands of the public is not more than the parties holding them are willing to retain in their hands unemployed, for the purpose of making their daily payments, there is *obviously no excess* of that description which influences the price of commodities. When the amount goes beyond this the surplus instantly fastens on the best bills, and most eligible government-securities, chiefly on the first; and the effect even of a very small surplus will, (whilst it continues,) be surprisingly great. If it fall into the hands of any discounter who has occasion to pay money to the revenue boards, or to the Bank, the notes are cancelled, and the excess removed. If otherwise, the same sum of 50,000*l.* may pass successively through the hands of every banker in Lombard-street, and absorb in its passage all the best bills in the market to an unlimited amount; for if A. a merchant borrow it of B. a banker, he immediately pays it away to C., who deposits it without loss of time, (indeed, as I observed before, he never withdraws it,) with the

same, or other bankers. But however often this transaction takes place during the day, it makes no real reduction in the supposed excess of notes, which will be as superabundant after the last discount it has effected as before the first. But the case will be speedily altered; the demand for discounts at the Bank is diminished *on the morrow* to the extent of the multiplied accommodation afforded by the excess, whilst its calls on the public for the payment of discounted bills falling due is undiminished.

"The redundancy of notes reverts therefore, (and in more than a due proportion, which accounts for some of the effects frequently experienced,) to the Bank, more being paid in than are taken out, and the amount in circulation is diminished.

"The recurrence of a demand for notes by the first class of discounters, (those which the Directors distinguish as solid paper for real transactions,) will indicate at once the abatement of the excess: and it does appear to me that the rule which the Directors have stated is a sufficient one. X

"The effectual and rapid operation of this controul over the Bank issues receives satisfactory illustration, by reference to the amount of Bank notes in circulation at the periods immediately preceding and following the issue of dividends; the increased circulation arising from an issue on each of these occasions of upwards of five millions being *within a very few days* hardly *perceivable*, (Qu. *perceptible?*)

"In April, 1809, for instance, immediately preceding the payment of the dividends, the amount of notes of 5*l.* and upwards was - - - -	13,000,000
"Subsequently to the 11th April an issue took place of four millions, yet on the 7th of May the amount in circulation was only - - - -	13,100,000
"On the 7th July, after the quarterly payment had been made to the Bank, and when the circulation was at its lowest ebb, the amount of notes above 5*l.* was -	12,800,000
"And of the issue of seven millions between the 11th and the end of the month, no evidence appeared on the 7th of August beyond a circulation of -	13,100,000

"It is observable, that although the January and July dividends exceed by three millions those of the other quarters, there is no *perceivable* difference in the period within which the circulation is reduced within the average amount." (B. pp. 57 et seq.)

This passage, besides the curious and detailed account it exhibits of commercial contrivance and accommodation in the metropolis, seems not only conclusive on the subject of excess, but clearly shews the futility of the distinction attempted to be set up between that part of the Bank paper which is issued as *capital*, and that which continues circulating as *currency*. Without entering minutely into the grounds of the distinction, it is sufficient to observe, that if any paper is issued as *capital*, which [illegible] is a degree [illegible] whether the Bank could issue [illegible], that might not be [illegible] by this degree [illegible]

when it is thrown into circulation as *currency* is found to be superabundant, the excess immediately reverts to the Bank.

It is now time to inquire what proofs of the actual excess of currency the report and its abettors have to oppose to this mass of evidence. Extensive bankruptcies and many abortive speculations? True, they have occurred. But considering the present state of Europe, and of the world, it seems scarcely reasonable to ascribe any large portion of either to the facilities afforded to desperate adventure by an abundant currency. Our merchants have been violently excluded from all their accustomed channels, and many of their accustomed markets; and have been obliged to open for themselves new sources and channels of commerce at their own risk. Many have succeeded, and have thereby benefited their country as well as themselves. Some, from the nature of things, have failed; and (however the expression may excite a smile) are sufferers in their country's cause. For it has been both directly and indirectly benefited by their speculations. To consider *that* as excess which has enabled enterprizing men to explore these new regions, is to check the spirit which has made England what it is, and which for the benefit of mankind has always animated British merchants.

That some adventurers have speculated partly on fictitious capitals, and that some paper currency founded on little or no capital exists, we pretend not to deny; if it be capable, (as perhaps it is,*) of any other check than what the sufferings and example of the imprudent speculators afford, such check should certainly be applied. But to argue from a trifling and partial abuse against the fair use of an object, is too trite to require further comment.

What other proofs are offered of the excess of paper currency? We can discover none but these two; first the high price of bullion in the home market, and next the low state of the continental exchanges: they are alleged as proofs, because they are both asserted to arise from such excess, and not to be ascribable to any other cause. This brings us, therefore, to our second and principal consideration, viz.

2dly. Whether the rate of exchange, in consequence of the balance of debt and of payments, be not *really* as well as nominally very much against England, and whether an *absolute necessity* do not exist for a constant export of bullion to pay the difference? For, *as we have before observed*, it is evident, if these facts are so, that neither the high price of bullion in the home market

* See the latter end of this article.

nor the low state of continental exchanges *could be* caused by an excess in paper currency, but are to be ascribed to very different circumstances.

The exchange with the continent of Europe is allowed on all hands to have been about 15 per cent. against Great Britain, for twelve or fifteen months preceding the date of the Report; and we think it may be concluded, indeed it is admitted also, that the *original* cause of the depression, as far as it is *real*, is to be ascribed to the enemy's severe penal decrees against our commerce, which he had shortly before begun effectually to enforce. Now it is asserted that this evil would soon have remedied itself had specie been the foundation of our currency; inasmuch as more than one half, or 8 per cent. of the depression, is *nominal*, and arises from the difference in value between our currency and bullion, which is now the foundation of all exchange transactions. The remaining 7 per cent. it is said, would soon have rectified itself by a forced export of commodities.

The mode in which these propositions are attempted to be made out is as follows: and we beg the reader's particular attention to them.

It is said, (see Rep. pp. 10. 13. and Mr. H. pp. 51. 52.) that the *real* depression of the exchange can never exceed for any length of time the expence of transporting bullion from the debtor to the creditor country; (this expence from England to the continent is about 7 per cent.) in fact, that it will scarcely ever sink so low as to make it worth while to transport bullion. For if a balance of debt is owing from one country to another, from England to the continent for example, it will be settled without such transmission in the following manner. The existence of the unfavourable balance will, of course, cause bills upon England to be offered for sale in the markets of the continent to an extent which exceeds the demand for them. "Their price, like that of any other article under similar circumstances, must fall; and the exchange, which we will suppose to have been before at par, will of course turn against England. But to this fall there are limits in the competition of the buyers; this competition commences as soon as those bills are offered at such a price as enables the buyer to use the credit which he obtains in England by the purchase of such a bill, either as the means of paying for goods for which he has already contracted, or of buying others for exportation, so as to afford him a profitable employment for the capital engaged in the transaction." (Mr. H. p. 50.) "In proportion as these bills are bought at a greater difference below par, is any holder of them enabled to buy goods cheaper in England;" and as the goods are bought for exportation, "an unfavourable course of exchange operates as a bounty upon all exports, and a tax upon all imports, by the joint operation of which, in all ordinary cases, *without any transmission of bullion,* the real exchange is brought back to its PAR, and probably rises above it." (Mr. H. p. 52.) The *balance of payments* therefore as founded upon the *balance of trade*, is a mere chimera, "trade being only an exchange of equivalents." Neither is it more real in *case of a debt* contracted for any service performed, or other consideration, as it will then be settled by the purchase of depreciated bills, and subsequently of goods for exportation in the manner just described. If, indeed, the fall in the real exchange exceed the expence of transmitting bullion, some will be exported; but such exportation could never be great in amount, or long in duration, inasmuch as it tends to a rapid improvement in the exchange by forcing the exportation, and diminishing the importation of all other goods.

"The principle and its application are the same, whether we contemplate only one transaction, or embrace the aggregate result of all the different transactions in trade, and of all subsidies and government expenditure abroad on the one hand, and payments to be made here on the other, as well as all other causes and speculations influencing the bill-market on both sides of the water." (Mr. H. p. 53.)

Such are briefly the arguments adduced, and they evidently arrange themselves under three heads. The difference between the real and nominal exchange; the restoration of the exchange to par by the *export* of *goods*; and the inference *drawn from this last-mentioned proposition*, that no extraordinary demand for *gold* for *exportation* can exist.

Mr. Blake, upon whose data the Committee and Mr. H. implicitly rely in this part of the subject, asserts that the nominal exchange is, "the ratio, which the total amount of the currency in one country bears to the commodities to be circulated by it, compared with the ratio that the currencies of other countries bear to the commodities which they are respectively employed to circulate." Resting upon this definition, he asserts that the country where the currency is in excess and depreciated would of course pay more of it in exchange against the undepreciated currency of another; and this quantum of increased nominal payment, (upon 100l. for example,) would be just so much in addition to that sum as would procure credit for a hundred pounds worth of goods in the market where the currency was undepreciated. This will cost 105l. in a country where currency *through excess* is depreciated 5 per cent. 110l. where 10 per cent. and so on: and the nominal exchange will

be 5 or 10 per cent against such country. This may evidently happen, although *the real* exchange arising from the balance of payments be at par, or above it; and the computed exchange is the difference which is *actually paid*, taking *both causes* into consideration; striking a balance if the *real* exchange be in favour of one country, and the nominal exchange of the other; or adding the two sums together, should the real and nominal exchange be both in favour of the same country.

Now with great submission, we cannot help thinking that Mr. Blake, and consequently Mr. H. and the Committee, have run into great errors on this subject: they appear to confound the effect which the depreciated currency may have upon the exchange with the exchange itself. If, for instance, the exchange being at par between England and Hamburgh, and prices equal in the two countries, prices should from any intervening cause rise 10 per cent. in England, it is not (we think) true, that an English merchant will give 110l. for 100l. at Hamburgh, but he will remit his 110l. to Hamburgh, and purchase goods there worth 121l. in England. Again, the Hamburgh merchant who has a credit in England, or has sent goods thither, will draw it away in bills or bullion, and not in goods; and in this manner the balance of payments will be turned against England and the exchange fall. But this is evidently a *real* and not a nominal exchange. And this will be the case in most instances where the intercourse is uninterrupted. But when, from peculiar circumstances, a rise of prices does not diminish exportation, it will raise the exchange, as Sir Francis Baring pointed out.

The fallacy seems to be in their erroneously making *bullion,* without reference to coin, the measure of value, which, we believe, it has never been in any country in modern times except China.

Definitions are always dangerous, particularly on subjects like the present, where it is so easy to dispute their correctness by stringing together a few plausible propositions with the semblance of scientific precision.

But we believe the most correct as well as the most simple idea of real exchange to be,

The ratio which the legal currencies (of full weight and fineness) of two countries bear to each other in their reciprocal payments.

And of the nominal exchange,

The ratio expressed in the denominations of their respective legal currencies, which the actual currencies of two countries ~~bear to each other~~ in their reciprocal payments, when the actual currency of either or both is depreciated below its legal standard.

Still, however, it is evident that a real depreciation of currency *must* exist in that country against which the existence of a nominal exchange can be proved.

Let us see, therefore, how far facts bear out the Committee in their opinion, that circumstances have not continually arisen in this country and the continent to keep the *real* exchange against England lower than the expence of transmitting bullion; and, consequently, how far they authorise us to assert that there is no necessity to infer from this circumstance the existence of an unfavourable *nominal* exchange. Mr. B. states (p. 16.) that from the beginning of 1797 to the middle of 1799, the exchange between Hamburgh and Great Britain was continually in favour of the latter, to an amount *more than twice* as great as the *expence* of transmitting gold; and for eighteen months of the time considerably more. "Yet this profit does not appear to have occasioned any considerable importation of gold, which during this perid rose to the mint price, although for several years before it had nominally at least been below it." In the years 1764 and 1768 a similar circumstance, only of a much stronger nature, occurred; (Mr. B. p. 17.) and again in 1804 and 1805; (p. 18.) and in all these cases the facilities of commercial intercourse were much greater than at present. But these perhaps may be said to have been "occasional depressions;" whereas that now existing between Great Britain and the continent has been inferred by the Committee to be *permanent*, (see Rep. passim,) as least so long as the British currency continues in its present state. But how is the *fact?* It appears that, although in the autumn of 1809 the exchange against England was eight per cent. lower than the expence of transmitting bullion; yet from November in that year to the time of presenting the Report in the summer of 1810, and ever since, (to Dec. 1810,) the improvement has been such, that the exchange has never been lower than two per cent. beyond the expence of transmitting bullion; *and all this has happened, notwithstanding our paper currency remains to the full as* EXCESSIVE *as before.* We may therefore be allowed to regret, "that the passage in the Report referring to the extreme of the lowest depression of the exchange was not expunged, as the event had proved it to be one of those *temporary effects* which the Committee had previously determined to disregard." There is, however, reason to suppose that this improvement in the exchange arose from a temporary relaxation in the enforcement of the hostile edicts against our commerce with the continent, the knowledge of which has now produced Bonaparte's famous burning decrees; and it is more than probable that these decrees, by excluding British goods more strictly than ever from the continent, will depress the exchange in the same proportion; if, indeed, any course of exchange can be established under these circumstances. Coffee bought in England at 1*s.* 3*d.* the pound, and exported to Heligoland, is now (Jan. 1811,) selling in that island at 3*d.* the pound.

Again, Mr. Greffuhle states in his evidence, "that during the *depreciation* of English currency on the continent a premium was paid for it in America in hard dollars." Now it is clear, that unless the balance of our trade and payments with America were so unfavourable to that country as to absorb a great nominal as well as real exchange, (which there is no reason to suppose,) a stronger proof than the above-mentioned fact cannot be brought that our currency was not *depreciated* below the *average value* of other currencies; for if it were, "all exchanges must equally feel the effect of the depreciation."

Such are the grounds for concluding, *a priori*, that no part of the unfavourable exchange which existed against us could be called nominal, as arising from the real depreciation of our currency. The discussion of the two remaining propositions will fortify this conclusion, by laying open the method in which the *real* exchange was *actually depressed* to so extraordinary a degree below par.

Now as to the restoration of an unfavourable exchange to par in the manner lately quoted from Mr. Huskisson's pamphlet, it is perfectly evident that the *whole force* of the argument consists in the supposition, *that the holders of the cheaply purchased bills upon England* will be able to procure for them *English goods*, and *freely to export* those goods to the *continental markets*. This is the acknowledged view with which the bills are bought. But after what has been stated in the earlier pages of this article, we apprehend that it would be quite superfluous now to enter into any detail to shew the utter impossibility that this object can be accomplished. The existing edicts against our commerce must necessarily, and in proportion to their strict execution, diminish the quantity of exports to the continent, and indeed if they are fully enforced, altogether put a stop to any purchases of bills upon England*, except in the

* Mr. Huskisson, in his examination before the Committee for inquiring into the expedition to the Scheldt, states the *very great difficulty* found in negociating bills upon the continent. Indeed there can be no doubt that if the purchaser of a bill upon England is exposed, by violent and tyrannical laws, to the probable loss of all which he purchases the bill to procure, he will buy fewer bills, and give much less for those few, than he would be disposed to do upon a mere contemplation of the ordinary difference of exchange resulting from the state of trade and balance of payments; just as any other prudent dealer would apportion his price and his desire to purchase to the chance he has of enjoying the object in his view.

small degree in which the continental merchants may be disposed to purchase English goods for exportation to the distant regions of the world. But will not bullion go to make up the difference? *Certainly it will*; and it has gone in large quantities; and so far is completely falsified the position that a *balance of payments, in the present state of things,* is not *necessarily made in bullion* in consequence of an unfavourable exchange. But will it thereby be restored to par so long as England continues to incur an increased demand from the continent by an annual foreign expenditure there of near eleven millions* (Mr. B. p. 41.), by purchases of corn to the amount of some millions†, by a delay of several months in receiving payment for such of her exports as reach their destination, while her own merchants pay in ready money, and finally, by the loss of remittances on American account to the amount of six or seven millions‡; and all this while the continent continues taking every year a diminished quantity of our goods, and consequently decreasing the demands of England upon the continental merchants? *Certainly not.* On the contrary, the gradually increasing balance of payments against us under these circumstances, must gradually increase the *necessity* of exporting bullion to discharge it; and this operation must be repeated so long as bullion can be procured. But half the produce of the mines of the precious metals would not be sufficient to satisfy this continually increasing demand; and as England has lately *even sent*§ bullion to the *Brazils* instead of receiving it from thence, and much of that from the Spanish colonies now goes direct to the mother country, instead of being, as formerly, transmitted through England, it follows that the supply is diminished while the demand is increased. This deficiency may perhaps at first have been made up by such parts of our coin as could be surreptitiously withdrawn from circulation and exported. But when this resource was exhausted, it is evident that the price of bullion must have risen in the home market from *the difficulty of procuring* it, and *not from*

* Mr. Blake states our foreign expenditure at twenty-one millions, but on very vague and unsatisfactory grounds.

† Mr. Bosanquet proves that the balance of payments due to the continent in 1809, upon comparing the demands against us, and our exports (including bullion) to satisfy those demands, exceeded two millions; and this reckoning *all goods* exported to have reached the places of their consignment, and to have been paid for, and omitting many items of demand against us that could not be accurately ascertained.

‡ While the American trade with Europe was free, a sum to the amount stated in the text, due to the Americans for goods exported to the continent, was remitted to England to pay the debts incurred here by the Americans. This remittance is now at an end.

§ See Mr. Greffuhle's evidence.

any excess of paper currency; for were there no substitute for specie the price of bullion would *rise ten times higher*, or the commerce and operations carried on by it must be abandoned. But how will this operate upon the exchange? It is certain that in proportion to the difficulty and expence of procuring bullion for transmission will the English merchant be content to submit to an increased loss on the exchange by bills; and this not in consequence of any increase in the expence of *transmitting bullion*, but of *purchasing it* at *home*. So that by the natural operation of these two causes, the necessary consequence must be, that the price of bullion would be raised to an extraordinary degree *at home*, while the price of bills upon England would be depressed to an extraordinary degree *abroad*, without any intervention of *a nominal exchange or excess in paper currency;* the very existing phænomena which have been ascribed solely to these causes by the Committee. For surely no man can be so enamoured of a quibble as to contend, (in the face of all the evidence in the preceding pages against the existence of excess or *real* depreciation in our currency) that a part of the present difference in the rate of exchange is *nominal*, because it is accompanied by an increased value of bullion as a commodity in the home market; when it is evidently shewn, not only that this increased value has arisen almost entirely from the demand created by its being the only convenient article of export, but that a diminution in the amount of our currency, which always cures an unfavourable *nominal* exchange, would in this instance very much aggravate the evil*. *The whole depression* must, therefore, be an *unfavourable real exchange*, caused by an extraordinary diminution in the value of bills upon England in the foreign bill market. Mr. Huskisson and the Committee have taken great pains to prove that no extraordinary demand for gold exists upon the continent. Mr. Bosanquet shews some causes for *doubting this fact:* and it very clearly appears from the evidence of Mr. Greffuhle and Mr. Goldsmidt, as well as from Mr. Rutherford's pamphlet, entitled "Hints from Holland," that the price of gold, with very trifling exceptions, is, and has been, really as high abroad as in England. We believe for two reasons, 1st, The great demand for gold to pay the French contributions and supply their armies: 2d, That spirit of hoarding which is always produced by a state of alarm and distrust; particularly when a paper currency is rapidly falling into discredit, as is now the case in the great empires of Austria and Russia. We state this as a further corroboration of the general character

* By diminishing the power of exporting bullion.

for *soundness of reasoning* and for *foundation in fact* which we thought it our duty to give of the Report and Mr. H.'s pamphlet. But with respect to the truth of our own arguments, we conceive that it would by no means be impeached whether the price of gold were high or low upon the continent. We presume that no man will contend that gold is a *mere drug* there, or that its merchants will not take it in exchange for their commodities. The *demand* then (to make out our argument) need only exist (as we have shewn it to do) among our own merchants in the British bullion market, that they may pay their debts, or purchase those goods, upon the import of which into this country they make a profit.

We trust that the reader, whose patience and perseverance have enabled him to follow us through the preceding pages, is now prepared to admit, that in the relative state of England and the rest of Europe,

1. The difference in the value of paper currency, as referred to gold, has not arisen from any REAL DEPRECIATION of the former, or excess in its amount; not only because no excess beyond the fair wants of the industrious part of the community has in fact been proved, but also because the inferences drawn to prove it from the state of exchange and high price of bullion fall to the ground; inasmuch as,

2. The balance of payments having in fact been very much against England, and an *absolute necessity* having existed for the payment of that balance by the exportation of bullion, its high price is as much the natural consequence of an increased demand for it at home, as the low state of the exchange is of the unfavourable balance of payments, connected with the violent decrees of the enemy; and,

Lastly, that "in these explanations every thing has" (*not*) "*been assumed*," (Mr. H. p. 42.) This is in truth a very *curious* and *singular* accusation to come from the party which makes it, and after the statement in the preceding pages we do not think it necessary to add one word here in refutation of so very gratuitous an assertion, or to shew on which side the assumption of facts as true, which have afterwards turned out to be false, may be most justly imputed.

We are now come to an end of the first part of the inquiry, viz. as to the past and present effects ascribed to the actual state of our currency. In tracing those effects to their real causes, the reflections that arise are by no means of a consolatory nature to those politicians who think the public prosperity dependent upon the maintenance of our old commercial habits with the continent of Europe.

If it be true that the evils complained of are ultimately to be referred to our creating a debt on the continent, which the rancorous enmity of its tyrant will not allow us to discharge by the ordinary transactions of commerce; there seems to be no other remedy, so long as his prohibitions exist and are enforced, but that we cease in an equal proportion to create a debt. Or, if this is not entirely possible, that we abstain from adding to it by the purchase of any articles which are not absolutely necessary to our existence.

In proportion as we exercise this abstinence will the drain of our specie be checked; and our merchants must endeavour to make up for the diminution of their trade from Europe by opening channels of intercourse with other countries, where they will be treated with more justice and liberality.

Having thus disposed of the question with respect to the past effects of our paper currency, we now proceed to consider its probable future consequences, as well as those of the measures which have been recommended for its regulation.

The first evil that would arise from now fixing upon some precise period, (independent of political events,) for removing the Bank restriction would evidently be, that it would oblige the Bank gradually to contract its discounts and the issue of its notes for the accommodation of merchants within a very limited compass:—probably, as Mr. Blake seems to insinuate in his ingenious pamphlet *, to nearly one-half of the present amount of notes in circulation; or from 21 millions to 11 millions. Making every allowance for the ingenuity of men of business in contriving substitutes for currency in the circulation of their commodities, this would probably diminish by one-third the commercial transactions of those districts using Bank of England notes. Unless indeed, (as is supposed in the evidence before the Bullion Committee, and as Mr. Atkinson seems to prove,) the chasm were immediately to be filled up by notes issued by individuals or private banks:—in which case the only effect would be to substitute an *insecure* currency for one perfectly *secure* and *stable*.

Should commerce survive this blow till the opening of the Bank, we cannot doubt but (upon that event taking place) that the holders of Bank paper, as well as of that which was substituted for it, would forthwith carry it in and demand specie in

* On the Principles of Exchange.

exchange, if from the then existing state of our debts and credits on the continent, the extraordinary demand for gold at home, and its consequent high price, should still continue. The Bank, therefore, and the private bankers must purchase gold at 4*l.* 12*s.* an ounce, that it may be ultimately paid to our enemy at 3*l.* 17*s.* 6*d.**

And as it has been shewn, that from the nature of the commercial impediments, these purchases and payments would not have their ordinary effect of equalizing the exchange, or making specie more plentiful in the home market, this patriotic and profitable speculation would continue, either till the original issuers of the paper became bankrupt, or the restriction from paying in specie was again imposed upon the Bank, and things replaced *if possible* on the present footing. So that the whole result would probably be nothing more than a very expensive and ruinous experiment.

But it may be said, this reasoning depends upon the supposition, that the commercial difficulties on the continent will still exist in their full force.—If the tyrant of Europe, upon mere speculation, and without any well-reasoned view of success, throws out the present impediments, what would he probably do having two years' notice to prepare his blow effectually? He would, as he well knows how, dissemble his real purpose †, and give notice in the last of those years that he was disposed to become more liberal on commercial subjects, and that his ports would be open under certain conditions to colonial produce and British manufactures.

Our hungry merchants, anxious to improve the exchange, and even our government in hopes of thereby facilitating their remittances to the continent, would forthwith co-operate in glutting the foreign markets with British and colonial produce, *consigned, let it be remembered, with a view of payment at a distant day.* When this was completed, and payment in cash in full operation at the Bank, but *before* any part of our exports were

* It is true that individuals do now purchase and remit it to the extent in which it can be procured. But the difficulties existing in this respect, which would be in a great measure removed were the restriction taken off, form a very efficient check to an unbounded exportation of bullion; besides, the difference between *permitting* individuals who make a profit on the whole of their transactions to purchase and pay it away at a higher rate, and imposing the necessity on the Bank or bankers, is the same as the difference between permitting a corn-factor to speculate in corn at *his own risk*, and imposing the loss of any bad bargain he may make on the keeper of the warehouse where the corn is deposited.

† See his conduct to the Americans, who seem now to be aware that the great affection the tyrant professes for them is nothing more or less than an affection *for their property.*

paid for, the whole system would be reversed at a blow; and the goods in the tyrant's power confiscated or *burned.* An irreparable blow would thus be given to private credit at home; alarms and bankruptcies would succeed, and a consequent run upon the Bank and country bankers. To affirm that public credit would not be totally destroyed by such a shock is more than any man could venture. To say that great risk would be incurred of such a consequence is what no man can deny. It is certain that nothing but instantly resuming the restriction could save the nation from utter ruin.

Something like this seems to have been in the contemplation of Mr. Huskisson, when in p. 124, 125, of his pamphlet, he admits that, " in the present extraordinary state of the world a possible combination of circumstances might arise, by which the Bank might be driven to part with its last guinea, not only without having checked the drain, but with the certainty of increasing it in *proportion as the amount of* their notes was diminished." Yet in the face of this admission he ventures to recommend removing the restriction, on the ground that the experience of the facts and circumstances which gave rise to the difficulties of 1797, and of the two last years, " would render the recurrence of such a crisis less probable," (Mr. H. p. 126). Now with great submission we venture to suggest, that as those facts and circumstances are equally known to our enemy, he would naturally enough consider them as very convenient precedents to follow whenever it answered his purpose to reproduce among us the same difficulties and dangers. Indeed, in the exultation of his heart he has not been able to withhold from us his opinion, (see Moniteur soon after the Bullion Report was distributed,) that our resistance to him is near its close, from the moment that the Bank ventures to resume its payments in cash. But had he omitted this taunt, we should not have been the less disposed to admit the general proposition, that we have no right to calculate upon the forbearance of France when she has it in her power materially to injure us.

Another evil likely to arise from the removal of the Bank restriction at a fixed period now to be defined, would be the *necessity* (if we may be allowed the term) which would be imposed upon the nation of *performing an impossibility*; viz. of procuring ten or twelve millions sterling of bullion to coin into specie, at a time when our merchants find it difficult to procure even that quantity which they want for their ordinary transactions; and certainly at a time when exports to that amount, (the only means of purchasing it,) could not by any means be added to our foreign sales, since their present amount falls short of the demand against us from abroad.

If, therefore, it should be proved that the resumption of cash payments were adviseable at present, it is pretty clear that it is impossible, and no set of men is held to perform impossibilities.

It should not be omitted also, that the effect of adding so much bullion to our other imports *must be*, in the first instance, to add greatly to the depression of the exchange. If when we have got it at this inconvenience, and when it has been coined and issued from the Bank, it is all re-exported, the operation will only restore the exchange to what it was before this notable expedient was resorted to. If any part of it is retained at home, it will only replace so much paper, and the exchange will be in that proportion *worse than it was.*

These are a few of the evils and inconveniencies which would result from the removal of the Bank restriction at a definite period now to be fixed upon. As to the advantages which have been predicted from the measure, viz. the amelioration of the exchange, and the equalization of the relative values of gold bullion and currency; we think it is already sufficiently proved, that as the opposite evils did not arise from the suspension of cash-payments, so neither would their resumption produce the expected advantages. The expectation could only have arisen in the minds of men from looking at home for the cause of the evil, when they ought to have looked abroad; like the man who ruined his constitution by taking internal medicines to cure a sore foot, which was only injured by *the temporary pressure of* a tight shoe.

Contemplating the procrastination of cash payments at the Bank to an indefinite period, or to one dependent upon a contingency so apparently remote as the renewal of commercial freedom on the continent of Europe, it of course becomes necessary to take a somewhat more extended view of the general effects of paper currency as a permanent circulating medium.

Influenced by considerations, which we shall detail towards the close of this article, we are prepared to admit, that *nothing* but the *necessity of the case* can justify the protracted existence of a currency consisting entirely (or nearly so) of paper.

But it is our wish to enter into a previous investigation of certain evils alleged *(without sufficient cause in our judgment)* to have arisen from this state of things.

One evil, which has made a very general impression upon the public mind, seems to be the *bare circumstance* (unconnected with its political causes, and effects,) of the disappearance of coin from the circulation; and the apparently absurd phænomenon of a light guinea selling for three shillings more than a heavy one. The attentive reader of this article is not now ignorant of the true causes of both these effects: *and as long as our public credit continues unimpaired*, we confess ourselves not to be very uneasy that guineas are scarce, and will probably continue so. They certainly constitute a more handsome and gentlemanly currency than dirty paper; but commercially speaking, they are re-issuable notes drawn upon a very expensive though magnificent material. With respect to the precedence which the light guinea has obtained over its more solid and weighty brother, although the fact may be extenuated by a presumed plea of primogeniture, yet it must, upon the whole, be considered as a very unjustifiable usurpation in the current republic: and it seems highly incumbent upon the supreme council of the nation to set this abuse to rights as soon as it can find the means. Till which period, let us hope, that our merchants will not be quite ruined if they leave the brothers to settle the point of etiquette between themselves. This will, perhaps, be the less difficult, as it is a mere question of precedence who shall first be cast into a furnace; and the right is now so fully possessed by the elder branch, that it will soon disappear from before the face of its natural rivals, who in their turn will *quietly come into* possession of the privilege by right of inheritance. Thus it is to be feared will be removed the grounds of the entertaining epigram concerning the light and heavy guinea.

Again, it has been alleged as an evil of no trifling nature, that the unrestrained emission of Bank of England notes affords undue encouragement to an excessive issue of country bank paper.

This is so grave an allegation, and involves a practical question of so much importance, that it cannot be dismissed without full inquiry. We shall therefore begin by giving the passage from the Report at length.—The Committee observe,

"That so long as the cash payments at the Bank are suspended, the whole paper of the country bankers is a superstructure raised upon the foundation of the paper of the Bank of England. The same check which the convertibility into specie, under a better system, provides against the excess of any part of the paper-circulation, is, during the present system, provided against an excess of country bank paper by its convertibility into Bank of England paper. If an excess of paper be issued in a country district while the London circulation does not exceed its due proportion, there will be a local rise of prices in that district; but prices in London will remain as before. Those who have the country paper in their hands will prefer buying in London, where things are cheaper, and will therefore return that country paper upon the banker who issued it, and will demand from him Bank of England notes or bills upon London; and thus the excess of the country paper being continually returned upon the issuers for Bank of England paper, the quantity of the latter *necessarily and* EFFECTUALLY *limits the quantity of the former*. If the Bank of England paper itself should at any time during the suspension of cash payments be issued to excess, a corresponding excess may be issued of country bank paper, which will not be checked: the *foundation* being enlarged, the *superstructure admits of a proportionate extension;* and thus, under such a system, the excess of Bank of England paper will produce its effect, not merely in the ratio of its own increase, but in a much higher proportion." (Report, p. 28.)

Now to say nothing of the inconsistencies on the face of these paragraphs, which first assert that an effectual check upon country bank paper is preserved by its convertibility upon demand into Bank of England paper, and then add that an excess in this last, the only effect of which would be to push it for a time into circulation *in the place of* country notes, would *increase the quantity* of such notes;—we have an objection still more fundamental to the whole theory. We are persuaded that within this realm of England no such republic of little districts, each governed by its own local prices, can possibly exist. Considering the facility of communication and of transport between London and the rest of England, and between every county or district respectively; the London prices-current regularly conveyed by the post in every direction; the publication in every district of provincial newspapers containing a detail of prices; and the information which every great dealer can thus acquire of the price of articles within a circuit of fifty miles or more round the spot on which he transacts his business; we think it quite clear that the competition among the sellers will prevent any superiority of nominal price from taking place between one district and another, or between each and the metropolis. A country banker therefore (at York for example) *cannot* issue more notes than the circulation of commodities at their average prices will employ within the range of his credit: nor can he raise the nominal price of things at York, which if the sellers permitted, their customers might purchase elsewhere. But he must confine his issues to the fair wants of his district, and prices will continue exactly as they were before. The same may be asserted as between any provincial town and the metropolis. Would it not on the face of it be considered as a most absurd supposition, that corn or cattle, sugar or cotton, or any article not necessarily transmitted through London, should be sold at a higher price in Liverpool or Manchester than in that city? Nay, is it not universally the case, that even the articles

transmitted through London to the provincial towns are *usually* sold in the latter at London prices, the expences of transport being compensated by other means, by the inferior rent of shops, &c. &c. Any supposed excess of currency in the metropolis cannot therefore produce its effect upon prices "in a greater proportion than the ratio of its own increase," and the utmost that can be said is, that if prices are so raised in London as to produce a *corresponding rise* in the country, more country bank notes will be necessary to circulate the *commodities thus raised in price*. But this is evidently a very different proposition from that advanced by the Committee, which is, not that the country notes will increase so as to circulate the existing quantity of commodities at the price to which they may have been raised *by other means*, but that they are enabled by a *superadded excess* of their own *still further to enhance* the price of all articles. Whether or no prices have been *at all enhanced* by the quantity of paper currency is a question we shall presently discuss. In the mean time, having removed the *onus* thrown by the Committee upon the country banks, let us proceed to inquire what it is that really regulates the issue of their notes. If we mistake not, it will be found to be the actual demand of the district in which they are situated for a circulating medium. When that is satisfied, the issues of the banks are checked*. When the increase of agricultural or manufactured produce, of wages to be paid for labour in public or private improvements, demands an augmented circulation, the issues are of course increased in proportion. These, and these only, are the regulating principles of the country bankers; and how any of them are affected by the circumstance that the banker is bound to pay his notes on demand in Bank of England paper, *or by a partial increase of such paper*, does not so clearly appear. The respectability of the individual bankers and the solidity of their paper are certainly promoted by the circumstance; but the demand for currency to carry on the various operations of a country district would be precisely the same, whether the same species of demand in London induced the Bank of England to issue fourteen or twenty millions of its notes, since it would depend entirely upon the capital and industry of such district. Whatever satisfied the demand of these would clearly not be excess; whatever went beyond this point would be returned upon the issuer; and if he had a million of Bank of England notes in his drawer, he could not for that reason keep one more of his own notes in circulation.

But it is in evidence that the country banker considers his security to rest on a sound basis, although he may have but a

* Because no man will pay 5 per cent. for useless money.

very small number of Bank of England notes in actual possession, provided he possess in London securities bearing interest, but convertible into currency at short notice, *to pay any sudden demand upon him.* These securities he of course increases in proportion as the demand for currency in his district induces him to extend his issues. If indeed Bank of England notes were so reduced in amount that they could not easily be procured for these securities, the country banker must eventually contract his issues below the fair wants of his district, in order to save himself harmless upon any sudden alarm. But this would not be the correction of excess, but a very unfair and impolitic interference with the industry of the people. So far however is it from being in general true, that an increase of Bank of England paper has the most remote tendency to produce a corresponding augmentation of country paper, that we need only refer to the quotation in a former part of this article, (taken from p. 82 of Mr. Bosanquet's work, which we requested the reader to bear in mind for this occasion,) to be convinced that whenever an increase of the former takes place, it pushes some of the latter out of circulation, and a corresponding *diminution* in its amount ensues. And *vice versâ*, it is the opinion, as we have before observed, of the bankers and merchants examined before the Bullion Committee, that if any material diminution were to take place in the amount of Bank of England notes, so far would those of the private bankers be from experiencing a similar reduction, that the vacuum would be immediately filled by a corresponding increase of them; so nicely proportioned is the natural supply of circulating medium to the demand. We will close this disquisition on country banks by a few remarks on their general tendency.

We have frequently heard them accused of enhancing the price of agricultural produce by the accommodation they afford to farmers upon the credit of their stock in hand, thereby enabling them to hold back the said stock from market in order to advance its price. Now we consider this to be a prejudice. It is perfectly fair and just, and the well-understood interest of the public, that every proprietor should be permitted to make as much of his property as a fair contemplation of the demand and supply will enable him. If he attempt to make more, not the public but the speculator himself must suffer. This is peculiarly true of agricultural produce. That man must be very superficially acquainted with the corn laws of England, who believes that any farmer or set of farmers could raise the price of grain by combination or monopoly. And he must be still more superficially acquainted with the first principles by which markets are regulated, if he does not know, that a corn-grower holding back

his produce to *enhance* its price, when no actual scarcity exists, must ultimately be obliged to bring it to market at a *reduced* price; and that holding it back, *when there is a real scarcity*, is the *greatest possible public benefit;* because it tends to enforce œconomy in the use of grain, and to make the general stock last the longer. And the public, instead of paying first a *high* price, and afterwards a *famine* price, without the means of a constant supply, is furnished with a regular though scanty provision at a *scarcity* price. So closely on this great question of practical policy are public and individual interests united.

Upon the whole it appears to us, considering what has been adduced on the subject of country banks, and adverting to the certainty that no respectable trader will pay 5 per cent. for capital which he cannot profitably employ, that those institutions, when they are carried on by men of *real capital*, who will not of course put that capital to risk in desperate adventures, are extremely beneficial both to individuals and to the state: that they assist in promoting improvements, which in a war such as we are now waging could be carried on by no other means. When they are opened by adventurers of little or no capital (and some such there are), who, from a knowledge that they have little to lose, will run all risks in hopes of making a fortune; it is certain that they are very great public and private nuisances,—the causes of much individual distress and misery, and eventually of some danger to public credit.

It follows from this reasoning (if true) that some legislative provision should be forthwith made, to prevent men, with less than a certain *secured* capital of *considerable* amount, from opening private banks for the issue of notes, and perhaps, (when it can be legally done,) by allowing a greater number of persons to embark their property in one partnership than can now do so by law.

But the Bank charter, as at present constituted, will prevent partnerships in banking to a greater extent than is now allowed.

The last alleged evil we shall at present notice is one that comes home to the feelings and comforts of a large proportion of the people, particularly in the middle ranks of society.

It is asserted, that the excess and consequent depreciation of currency has so enhanced the price of all articles of necessity and convenience, that the income of many of the most useful classes in society has become inadequate to their wants; and that they are depressed in the scale for the purpose of exalting the merchant and the speculator, "contrary to the strongest claim of justice, and the plainest dictates of public honour." It is said, "that although the landed proprietor may nominally raise his rents, in proportion to the depreciation in their value, at the expiration of his leases; yet, during their continuance, his income is even more depreciated than that of the other classes; inasmuch as the reserved rent is generally subject to repairs and other outgoings, the expence of which is of course increased in proportion to the depreciation of the currency in which it is paid, while the nominal rent remains the same." (Mr. H. 130.)

"But it is upon that class of the community receiving a *nominal income* that the depreciation acts with the greatest severity. The public creditor, the annuitant, the *clergyman*, the physician, the lawyer, the soldier, and the sailor,—all the civil officers of government; all persons receiving salaries only,—not only bear the increased burthens which the government is compelled to impose in consequence of the depreciation, but the remainder of their income no longer possesses the same power of procuring the necessaries and comforts of life." (Mr. Blake, p. 108.)

We were a little astonished at finding included in this list the clergyman *paid in tythes*; the soldier and sailor, whose pay has been raised, and whose subsistence is afforded *gratis*, or at a stated price; the officers of government, whose salaries have been repeatedly raised to keep pace with the increase of prices; the physician and the lawyer, whose practice, and its consequent remuneration, increase in quantity as the increase of currency may be supposed to diminish the quality. Neither are we quite satisfied of the inexpediency, that, among an active and industrious people continually increasing its capital, the annuitant and public creditor, the drones of the hive, should rather suffer in their circumstances, (if *some must suffer*,) than that improvements and the accumulation of wealth and the interests of the rest of the people should be checked for their exclusive ease and convenience. But putting these considerations out of the question, and fully admitting the fact that prices in general are much increased, let us see if there be not fair grounds for concluding that the reference of this class of evils to a depreciated currency is mere declamation, and nothing more.

Although it is impossible not to admit that an increase in the total amount of the currency of a country, without a corresponding increase in the commodities to be circulated, must raise the price of the latter; yet by parity of reasoning it is equally clear, that a corresponding increase of both leaves things exactly in the same relative situation in which they were before. Now that the produce of our capital and industry has upon the whole increased fully in proportion to our currency we apprehend is established in the preceding pages by abundant proof.

Besides, very sufficient causes offer themselves in great num-

ber by which to account for the rise of prices, without reference to an excess and depreciation of currency: and we think it the more necessary to state them, because the price of commodities has been gradually increasing for the last thirteen or fourteen years or longer; whereas the high price of bullion, the unfavourable exchange, and the great difference between the values of gold and paper currency, (the alleged causes of this increase,) have only existed within these last two years—years in which, if we are not mistaken, prices have been less enhanced than at any former time within the above-mentioned period.

First, it is well known that the quantity of capital and industry applied to the production of goods for exportation has very much increased within the last thirteen years. The manufacturers of these goods are so many fresh competitors in the market for the necessaries and comforts of life. But the objects of their labour form no part of the supply, none at least that is available in the market where they purchase their necessaries. This additional demand, therefore, not being accompanied by a corresponding addition to the supply, must of course raise the price of all the objects of those purchases. The additional supply is indeed subsequently raised and brought to market by the rest of the community, but not until a previous rise of price has indicated the demand for it.

Again, the scarcities of corn which have occurred since 1797 have tended much to raise the price of labour, and of every thing produced by labour; a proposition too self-evident to need other proof than a bare statement of the fact.

Lastly, the increase of taxes laid on during the present and preceding wars is sufficient of itself to account for a great proportion of the rise in all prices. The gross revenue in 1793 was about seventeen millions; in 1809 it was above seventy millions, an increase of more than four times the original amount. Now it is perfectly clear, that this sum is added to the aggregate price of all commodities purchased in the home market in Great Britain, (setting aside the trifling duties upon exports) except in as far as an increase has taken place in their production*. It would much exceed our limits, even if it were possible, to enter into a minute calculation of the increased quantity of goods bought for consumption in the home market of Great Britain; but we may perhaps venture confidently to affirm, that it is not four times as

* If we understand Mr. Bosanquet's reasoning on this subject (p. 94.) we think it rather loose, as he appears to us to omit all consideration of the effect which an increase in the production of commodities has on their relative price (as increased by taxation).

great as in the year 1793, nor even twice as great. It cannot, we think, be *nearly* twice as great. If it could, we should in proportion to our population have increased in real wealth with a rapidity altogether unexampled, besides sinking a capital of a thousand millions sterling in the war. Something like a fair comparison might probably be drawn by a reference to the increased amount of duties levied by the Excise, deducting all new impositions; but we know of none but the commissioners or clerks of the Excise Office who are competent to this task. It will, however, be sufficient for us to bear in our minds the number of individual articles which have been additionally taxed, and must of course have risen proportionally in price; the indirect effect which the taxation of these articles has in raising the price of others; the Property Tax, the increase in the Stamp Duties, and the numerous items of general taxation having no direct tendency to increase the quantity of commodities, although they must ultimately have fallen on the consumers in an increase of price; and we think it will be impossible to avoid admitting, that a great proportion of the rise in all prices (since 1793 at least) may fairly be ascribed to the increase of taxation.

All these circumstances have been overlooked or omitted by Mr. H. and the Committee in the opinion they have given on this important subject; but they do nevertheless appear to us to form an additional combination of proof not easily rebutted, that the advanced prices complained of have not been caused by excess and depreciation of currency, but by very different circumstances.

The facts just stated respecting the increased amount of the taxes afford of themselves a sufficient reply to Mr. Huskisson's observations on the alleged impossibility of paying them were the quantity of currency materially diminished. He asks (p. 144.) " Why could not the taxes be raised? How were they raised before the restriction?" We will endeavour to tell him why. Their amount before the restriction was less than one-half of their present amount, while that of the currency was within no great difference the same. A sum barely equal *to the whole currency* of the country passed annually through the hands of government in the payment of taxes in 1797. Now the *whole amount* passes at least twice in the year through their hands. And as the produce of the taxes is increased or diminished by the greater or less rapidity with which commodities circulate, it follows that any diminution of the circulating medium must more than equally diminish the produce of the taxes, and this not "*nominally*" but *really*. It is singular that the proof brought by Mr. H. (p. 145, et seq.) that the real produce of the taxes would not fall off is drawn from the *admission*, that ONLY the Assessed Taxes, the Stamps, and the Property Tax would be affected!!! These three items make up near half of the public revenue.

We now proceed, in conclusion, to fulfil our promise of laying before the reader a few remarks in confirmation of our opinion, that nothing but the necessity of the case can justify the protracted existence of a currency consisting entirely (or nearly so) of paper.

Admitting, what our experience of the stagnation of commerce in all former wars demonstrates, that in a state of harassing and expensive foreign hostility, no expedient but a paper currency could possibly bestow upon us the same facilities of internal industry and circulation, which we have now the happiness to enjoy; there are three considerations of more or less weight that deserve to be stated as tending to counterbalance this advantage.

1. It has been said that our reputation for unimpeached public credit among foreigners will soon sink very low, if they observe our prices continuing to rise, and our currency exclusively of paper. The effects which have universally followed the combination of these two circumstances on the continent, (where paper currency, by resting on the authority of the government and not on solid capital, is, strictly speaking, *paper money,*) will, it is said, produce this sensation, and its natural consequence, distrust in the permanence of our commercial and political integrity. Without asserting that this objection is entirely without weight, we are, nevertheless, not disposed to attach to it any *very great* importance, *at least at the present moment*. Our paper currency being the representative of real commodities, and not forced into circulation by any edict of the state, is known to rest upon a more solid foundation than that of the continental states. And so long as the property of a foreigner continues to enjoy, *in point of fact*, the same comparative degree of *exclusive* and *perfect security*, which is now the case in England, we are persuaded that no speculative fears will induce him to withdraw it from our protection. To make this objection valid, therefore, it is necessary to shew that public credit at home is liable to be endangered by an unrestrained progress in our present career; and here we are sorry to admit that we feel some apprehensions. We cannot shut our eyes to the force of the following observations.

2. It is stated (Mr. H. p. 151.) " That the difficulties incident

to the state of things in 1797 were confined to a stagnation of sales, and to an interruption of credit in *all the larger transactions of trade* and of the community; but they were not felt in the exchange and distribution of commodities, in the common dealings by which the daily wants of the society are supplied. But what would be the result of any general interruption of confidence in paper currency at the present moment, when " it is the foundation of *every minute transaction* in the interchange of common necessaries?" It would certainly create the greatest degree of confusion and distress, and probably the most terrible and fatal disorders. It is therefore very important to secure for the future the confidence that has hitherto prevailed; and the necessary absence of gold specie, as the standard to which the value of paper may be referred, seems to render extraordinary precaution the more necessary. The acknowledged integrity and moderation, and the fair intentions of the parties issuing bank paper, however they may triumph for a time, although opposite to their *supposed* interests, do not constitute (when we are contemplating a long period of time) a sufficiently secure basis for the prosperity, perhaps the existence, of the nation to rest upon. People will certainly feel this, nor will any conviction of past prudence and correct practice, or of the advantages that have accrued under their influence, be enough to controul the doubts and fears of a possible departure from those principles, where the power of such departure evidently exists. Impressed with these ideas of security for the future, we do not hesitate to affirm, that it appears very inexpedient, that any set of men should possess uncontrouled the power of regulating at their discretion so important a state concern as the amount of the circulating medium; admitting, as we do, that it is their *clear well understood* interest to keep it within due bounds. Much less should such individuals, as country bankers may be supposed to be, (without intending any disrepect to them in their vocation) have the power of issuing currency without a public acknowledgment of the security upon which it rests.

3. There is another evil which has often struck our minds, as one of some moral and political magnitude, viz. the overgrown and still increasing size of the metropolis; one of the effects, we think, of the great facility given by paper currency to credit and circulation. When we see collected into one focus more than a tenth part of the population of the whole kingdom, a proportion full four times greater than that of any other metropolis in Europe*, even Paris not containing the fortieth part of

* We of course mean to include only the large states, whose solid prosperity is derived from the produce of an extensive territory.

the population of France;—When we reflect on the perseverance with which a long course of neglect has suffered the religion of this immense mass to be corrupted, and its morals vitiated;—on the facility which this *permanent existence of a mob* affords to any designing demagogue of disturbing the public tranquillity by flattering its vices and perverting its judgment;—on the undue influence which is thus acquired for the heated and absurd opinions of the most ignorant and corrupted portion of the people, over the cooler and more sober judgments of those who are further removed from the vortex;—when we reflect upon these and many other considerations, which press upon the mind, but which our already too much extended limits will not permit us to enlarge upon, we cannot but deprecate most earnestly the further growth of this enormous capital; particularly as we know that large additions are projected beyond those which are now only in progress towards completion.

We are aware, that in the advanced state of society in which we live, a great proportion of the people *must reside* in towns; and so far from regarding this necessity as an evil, we are convinced that it is an ordination of providence for the wisest purposes. It is one of the effects of the constant care exhibited by providence in apportioning, by the spontaneous alteration in the habits of a people, their powers of increase in numbers, to the remaining powers which exist in their territory to supply them with food. We have no doubt but that this gracious care may be found to exert itself in various shapes, in exact proportion to the *just* wants of a people in every period of society, from the inhabitants of the South Seas, to the Christian who enjoys the blessings of British civilization; and that it is a fanciful theory to suppose, that the intervention of vice, misery, or involuntary abstinence from marriage among the lower orders, is necessary to keep down the numbers of an industrious people to the level of its subsistence. We shall hope for an opportunity of entering into a detailed discussion of this subject in a future number. In the mean time we cannot but express our wish that some portion of the immense addition to the numbers in the metropolis could be diverted to the provincial towns, particularly as it appears demonstrable, that the commerce and manufactures of some of them have suffered in proportion to the overgrown increase of London.

Upon the whole, although we do not think that conclusive reasons can be shewn against a further moderate increase of paper currency, yet we do not hesitate to declare an opinion that, during the necessary suspension of cash-payments at the Bank, an efficient controul should be established by Parliament, both over the

Bank of England, and private bankers issuing notes*;—and that the amount of all their issues should be accurately ascertained from time to time, and laid before the public: so that nothing uncertain or concealed may give ground for exaggerated statements, or unfounded calculations, on so delicate and important a subject†. It would then (as it ought) be open to fair discussion upon *ascertained grounds*, within what, if any, limits an extensive and rapidly increasing paper currency is desirable, even although it be the representative and the circulator of a corresponding increase of capital and commodities, of actual industry and labour. That the increase of these effects is in itself desirable, there can be no doubt; but it is possible that doubts may be entertained whether *certain limits* do not exist, beyond which even these advantages, *when supported by paper currency*, may be more than counterbalanced by the attendant risk. The farther those limits extend, while paper is of the nature of a legal tender, the greater will the difficulty be when the time arrives, to restore the great desideratum, viz. specie as the foundation of our currency; and the more frequently will it be necessary to bolster up public credit upon sudden emergencies exciting a run upon the issuers of paper. Moreover when we see the proportion which the increase of luxuries, and conveniencies affording no solid or permanent benefit, already bears to that of the agricultural or other permanent improvements, which will continue and be available to our real comfort and happiness even should paper currency cease to circulate,—we may be disposed still more to doubt the expediency of a further rapidly increasing ratio in the facilities afforded to an indefinite progress in the same career.

We have now given our opinion upon the whole of this most important question, formed, as we solemnly declare, upon an unbiassed consideration of the several arguments advanced upon

* We would also submit, whether justice and a fair analogy with the rest of our laws do not make it expedient to pass an Act, rendering such bankers, as shall convert to their own use securities deposited with them for safe custody or convenience, guilty of felony.

† We do not presume to give a positive opinion on the expediency of claiming for the public a participation in the profits arising from the substitution of paper currency for specie. On the one hand it is clear, that when events arising out of the state of public affairs have thrown immense profits, (made as it were on the public account,) into the hands of private individuals, without any increased industry or capital on their part, the public may fairly demand a direct share in the profits. On the other hand it may be well doubted how far a large participation by the public would give it so great an interest in the continuance of *paper currency*, as to produce a danger that it would in the end become *paper money* issued on the authority of the state.

both sides. If we have been hasty, or misinformed on any point, we shall be unfeignedly thankful to those who will point out our error, and future publications on the subject will, no doubt, give us an opportunity of revising and correcting them. We are sorry, for our readers' sake, that we have not been able to compress this article into a compass that would have created a smaller demand upon their patience. But we will venture to predict, that the more the subject is discussed *with a view to practice*, the more generally will some such opinions as we have advanced be received and acted upon.

Since this article has been prepared for the press, a pamphlet by Mr. Ricardo, which he entitles a "Reply" to Mr. Bosanquet's Practical Observations, has been put into our hands. If it had been published sooner, we should of course have given our opinion upon the degree of force which we think due to those parts which bear upon the particular points we have treated as essential to our argument. All we can do now, however, is to express our firm conviction that the results which we have ventured to draw from the whole discussion are in no degree weakened by Mr. Ricardo's work. It is possible that on some intricate points relating to the foreign exchange Mr. Ricardo may be right. We believe those points are very imperfectly understood even by experienced merchants; and Mr. Bosanquet will no doubt make his observations upon them. But upon the main questions relating to the depreciation of our currency, the issues of bank paper, the balance of payments, excessive circulation, and the export of bullion, we think Mr. Ricardo's "Reply" extremely unsatisfactory: and should the question not be set at rest before our next number, we shall perhaps state the grounds of that opinion.

ART. III. *The Speech of John Leach, Esq. M. P. in the Committee of the whole House, upon the State of the Nation, on Monday Dec.* 31, 1810, *upon the Question of Limitations to the Royal Authority in the Hands of the Regent.*—Ridgeway, 1811.

The Speech of the Right Hon. Lord Grenville, in the House of Commons, Jan. 16, 1789, *on the proposed Regency Bill.* —Stockdale, 1811.

HIGHLY interesting and important as is the subject of the above mentioned publications, it may be thought extraordinary that it should have occasioned so little employment for the press. The fact however is, that there are few persons within the compass of whose talents and knowledge the materials for a suitable discussion of it are to be found. Statute law is silent upon it: there is, as Mr. Leach observes, no text writer by whom it has been treated, and the authority of the precedents which have been applied to it is too indecisive to be satisfactory; inasmuch as those of different periods are by no means consistent with each other, and those upon which the chief stress appears to be laid occurred at times, and under circumstances, which materially reduce the weight and influence to which they would otherwise be entitled. But with reference to one side of the question there is no cause for regret. An exposition of the principles upon which the proceedings of parliament were founded in 1788-9, and a defence of the measure then in agitation, were submitted, in the speech before us, to the House of Commons, and afterwards to the public, by Mr. Grenville, (now Lord Grenville,) with a perspicuity and a force of reasoning which we believe were never surpassed. This masterly composition embraces the whole of the subject; and we venture to affirm, that a more useful record of sentiments delivered in parliament was never presented to the public. We should have thought, that the doctrines it lays down and the arguments by which they are established would have carried conviction to every mind; but we cannot suppress our astonishment on finding that they appear, from recent circumstances, to have lost a part of their influence on that of the noble lord himself.

The ground taken by Mr. Leach in December last, on the other side of the question, was far more circumscribed: his speech was, however, strictly applied to the question immediately before the House of Commons. It consists of a clear and logical argument; the purpose of which is, to disprove the right and the expediency of imposing limitations on the royal autho-