A

# FURTHER DEFENCE

OF

# ABSTRACT CURRENCIES.

BY

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"Does the great quantity of paper money in England tend "to diminish the value of the pound sterling? I answer in "the negative. Paper money is just as good as gold or silver, "and no better."—Polit. Econ. b. 3. p. 1. c. 8.

"All and every one of these inconveniences to which coin "is exposed, disappear in countries where the use of a pure "ideal money of account is properly established."—Polit. Econ. b. 3. p. 1. c. 8.

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# ABSTRACT CURRENCIES.

## CHAP. I.

### THE NATURE AND EXISTENCE OF ABSTRACT CURRENCY.

WHATEVER may be the style of argument adopted by some of the advocates for the Bullion Report, it could never have been the intention of the Committee themselves to raise a question of admitted national importance, and then leave its decision to mere assumption and popular clamour.

Those who feel entitled to assume, that paper has a necessary and absolute reference to gold, or the metals, will do but right to make it equally an assumption, that the Bank Restriction Bill, in detaching paper, though only for a time, from the metallic scale, necessarily outraged its fundamental principle, and essentially changed its character: but whoever offers to reason the one proposition, will surely in candour feel bound to listen at least to doubts of the other.

When I see gentlemen profess to canvass the relative merits of gold and paper, as currencies, who yet begin with assuming gold as an absolute standard of reference before hand, I cannot help being reminded of a certain Bishop of London, of whom we are told, that he volunteered playing at whist with his chaplains, and made it a modest preliminary, that he should be allowed to name his own trump.

Civis has ably shewn, that even by law, gold was never made exclusively our standard of value; since the very statute, which alone bears upon this point, professedly reserves to debtors an option of still making the largest payments by weight, though not indeed by tale, in silver. The fact itself is, as Civis justly observes, nearly a full answer to all which Mr. Huskisson has urged; but its fair inferences will carry us still further, if we are not deterred by the popular dread of metaphysics, from following the fact to them.

Vulgarly speaking, the statute may indeed only be said to give us in gold and silver two concurrent standards of value: But is it not true, that the legislature, in giving us both, has betrayed somewhat of indecision towards either? By what



logic can it be sustained, that because the legislature gave a preference to gold over silver, it must have confided implicitly even in gold? Its retaining silver at all after such a preference, is surely a strong argument to the contrary; and rather bespeaks its just sense, that the true principle referred to, however possessed in common by both, was in reality, a something independent of, and abstracted from, either. I do not then hesitate to say, that here we have the abstract scale of value, which some have affected to ridicule the idea of, indirectly at least, recognised by the legislature itself. It is directly recognized by all of us, in that our generic term has never been gold or silver; but always, abstractedly from any specific mention of material,—Money.

If the scale in general may be fairly termed abstract, there can surely be no absurdity in applying the same term to its component degrees. Those only who can believe that the twelve inches of a foot rule have no existence upon it till they are sensibly graduated there, can object to the notion, that all degrees of an abstract scale are referable to an abstract standard, even prior to their being exemplified upon any sensible one.

It is not meant to be contended, that either the scale, or its degrees, can ever be presented to others, or even fully grasped by ourselves, without the assistance of some specific embodyment, or sensible realisation; but it *is* contended, that both must have a fixed standard in nature; which as it is prior, so it must be superior, in character, to any standard we can form by our own sensible recognition of them. Sensible standards, in that they are perceived by us, are necessarily so far removed from their absolute existence in nature, and must in consequence become liable to sensible errors.

In fact we know that there is no sensible graduation, which we ever apply to any natural scale, which is not in time subject to fluctuate. Even the Bullionists themselves do not venture to make gold strictly an exception. It is perfectly understood in Science, that the correcting sensible standards by each other, is only an approximation to something beyond them all; which is never at least to be accurately exhibited in sensible nature. What, for instance, are the corrections of all mathematical instruments, when we allow for the contractions and dilatations of their matter, but an intended reference to their bare spaces, as they would exist abstracted from any



matter at all. To say that we must correct all sensible standards with reference to abstract ones, by no means implies that we should pretend, or even hope, to reach that abstract perfection, towards which we look.

I am sorry to appear so metaphysical, but the fault, if it is one, is rather in my antagonists than myself. I used the term, 'abstract,' to convey a popular conception in its popular sense, when I found it seized to be metaphysically distorted and cavilled at.

I have already admitted, that we can never effectually grasp an idea, without having it in some way sensibly realised. Still, if it was a point worth contending, I do not know why we may not be said to have an idea, which as yet, we only, as it were, see at a distance, before we actually touch it.

To me the whole discussion, whether we can have abstract ideas, or only abstract terms, sounds like the veriest truism, of disputing, that we cannot have a sensible idea, till the idea is rendered sensible. It turns only upon the question, in what stage we choose to denominate a conception an idea. Whether, upon the Platonic system, the idea, in the Divine mind, would not have been an idea, not only before it was ever excited in our minds, but before its object ever existed in nature.

Such disquisitions, however, are wholly foreign to any purpose of mine. No person can surely pretend to doubt what I mean, in speaking of space abstracted from matter. Let metaphysicians then settle as they please what terms ought rather to be used towards space; and they are at perfect liberty to translate into the same phraseology whatever I impute of abstractedness to value.

We may not be able to conceive abstract inches, without the assistance of some real, or at least imaginary, projection of them, on some material substance; such as brass or ivory. But, after all, since the inch may consist equally of both, it can be essentially neither. We know, that it is the abstract space: we also know, that whatever substance we thus introduce to project the inch upon, will, from the very circumstance of being a substance, be liable to contract and dilate, and thus interfere with, instead of preserving, the accuracy of the measure. If in this respect I was opposing the compasses or callipers to solid rulers, there would surely be no very unwarrantable licence in calling them, ABSTRACT MEASURES.

Mathematical instruments, as I have already observed, all evince this principle. They must



in practice be realised, by some solid materials; but if in their correction we seem to refer to one material rather than another, the true correction, we know, refers to the practical impossibility of their being made of empty space.

This is precisely all I would contend respecting measures of value.

I am well aware, that to be sensibly recognised, their dimensions must at the moment be supposed to be sensibly filled with something real; but I do insist that real values in this case, like real substances in the other; however they may conduce to our readier perception of the measure, are aliens to its principle, and will always endanger, instead of securing, its accuracy. Can we seriously doubt, that in proportion as any object, which we employ to be a measure of other values, has real value in itself, it will only be the more exposed to suffer in its own character from the capricious estimation of man? My own conviction of this is so strong, that I do not hesitate to assert, that if the relative value of gold as money, has really continued long nearly the same, it would be a proof of the almost total indifference we feel towards any real uses of that article: —A very different idea from that of its being imputable to high intrinsic value.

It may be asked, what is the use of all this discussion about *abstract* measures, if after all we are obliged in practice to have recourse to *real* ones?—The use is—that we may learn to appreciate those real measures we do employ, by a juster estimate, than that of the ordinary vulgar appeal to their more sensible reality.

Though we can never absolutely avail ourselves of purely abstract instruments, yet experience shews us, that in every part of nature, if we do not suffer ourselves to be idly intimidated, we may approximate sufficiently towards them.

I have already adduced the instance of the compasses towards space. Though no abstraction themselves, the compasses surely give us the inch abstractedly; and so far at least exempted from those variations, to which the inch would be necessarily subjected from climate, if it was realised upon brass or ivory. This is precisely all I contend for paper with respect to gold. Like the compasses, paper gives us professedly, *but* the dimensions of value: nor do I deny, that like them, it may be very liable to have those dimensions altered by external injury; but I do insist that it is internally more secure; that under extraordinary changes of temperature, such as the political world is experiencing at present,



paper *need* not, and if credit can be supported, paper *will* not, vary, when gold and the metals *must*; that its very want of substance, will, if it is not otherwise affected, always enable paper to correct the metals themselves, when *they* will necessarily be yielding to temperature.

That the Material gold does in some degree fluctuate in our general estimation of its value, is not absolutely denied, by even its hardiest advocates. And if it is true, as those advocates themselves assert, that gold is dubbed by natural prerogative the least fluctuating of all real values; how can it fail to follow from their own premises, that the true correction of gold lies in some abstract scale; at least in some standard, which has no existing type in the sensible world?

I have already said, that if gold had not seemed to have ever sensibly varied, I should still rather have attributed the circumstance to the little real hold it has of our estimation, independently of its relative value as a currency, than to its having any solid basis in intrinsic value. The fact is surely obvious to any reflection, that there is hardly an object in nature less sought after on its own occount, than gold; not that, even in my opinion, the article is wholly valueless, as a commodity; but that its *relative* value has been swelled out of all proportion; and till it has entirely eclipsed its *real* value. For, even in Plate, who at present estimates gold, simply by its comforts, divested of reference to its ostentatious display of readily convertible riches?

If this can need any further illustration, we have to consider, that the value to be estimated by money, has never professed to confine itself to mere utility:—that it resolves itself into no settled principle, unless perhaps that of *personal preference*, dependant on human caprice. Can we then wonder, that such a principle should have no fixed standard in nature? We all know, that the price we give for articles is seldom strictly proportioned to their absolute utility to ourselves; and even if it was, their absolute utility at any moment to ourselves, could be no sure criterion of their general utility to others. Water, for instance, is probably as extensively useful an article, as any which could be named. There can be no doubt, but that we could better dispense with gold altogether, than with water; yet this does not render the money price of water more fixed; on the contrary, wherever the article is scarce, as in the desarts of Arabia, it enhances the difference of price and makes water more dear.—We cannot indeed doubt, that in proportion as water is more essentially useful, in the same proportion, it will be differently estimated, by those who are more or less thirsty.



Can it be then misunderstood when I say, that if gold had even less sensibly varied in our estimate than it has done, this would have afforded no fair argument in favour of its great intrinsic value; but on the contrary should rather have argued that it was defective of any real hold on the human appetite;—that it had little else than merely its relative value.

The mind may certainly be supposed to be susceptible of equal biases at all the different periods of time; and such equal biases of the mind, it is the business of equal money prices to express: but it would be contrary to all experience to suppose, that the mind would uniformly extend the same degree of bias to any natural object whatever; and still less to any one capable of exciting considerable interest in itself.

Values are far too various, in their kinds, for us to entertain a hope of ever strictly reducing them to coincide, upon any other than an abstract, or as it were, moral scale. What real connection can we suppose to exist between the flavour of a pine-apple, and the ductility, or other intrinsic values, for which it is exchanged in the guinea? I may indeed assign them an equal place in my estimation; as I may resolve to value equally the chastity of Lucretia and the eloquence of Cicero; but the qualities themselves have evidently no connection in either case; they can never be made to assimilate, except on such moral scales of the mind.

I shall now conclude this part of my work with asking those, who can still suppose, that money essentially refers to gold, on account of its intrinsic value; rather than conversely, gold to abstract money; what they themselves understand by the passion of the miser?—whether they really think he has even an *equal* regard with his neighbours for the physical properties of gold, when he is seen to prefer it so much beyond them all, in its relative character of money?—whether they suppose he gradually discovers new properties in the *metal*, as he is found to advance in his esteem for the *currency*?

I flatter myself then, that I have sufficiently shewn, that paper has no necessary reference to gold.—That as measures of value, both must necessarily refer to value abstractedly.—Finally,



that value, belonging more or less to all the commodities of nature, can have no absolute reference to any one in particular: and that its standard, if strictly to be sought for, must rather be placed, like the "πȣ στω" of Archimedes,—without the field it is intended to act upon.

And I would now oppose to the question, which has been so triumphantly asked, Is not gold a more real standard for value than paper? another question; viz. What has reality of *material* to do with the reality of either, as a standard, if the value they have to measure is itself *abstract?* How can reality of material become indispensably necessary? how can it even be thought well adapted, if the instrument is at last to apply to but an abstract scale?

It was under such impressions, that I felt myself obliged, on a former occasion, to resist the advice of my publisher, when he recommended to me to substitute the more popular term PAPER CURRENCY, for ABSTRACT CURRENCY. I was well aware of the policy of the advice; but it would have been a sacrifice of real principle to mere expediency.

Even with all Cobbet's popular, though prejudiced, views of the subject, I cannot but flatter myself that I should have abstained, in his case, from seeming to make it a question between gold and paper; while I was conscious, as he must have been, that whatever it was with *him*, with those he professed to answer, it was no question of material whatever. It would have been inexcusable in *me*, to have put prominently forward the material I employ; when I professedly select it, only, as the nearest approximation I can reach, to the doing without any material at all.

A simple verbal credit would satisfy me as well as paper, could it only be remembered, and transferred as accurately; and I distinctly mean to contend, that any mere personal obligation, abstractedly expressed, and left to rest on the credit of the person alone, must ever be, while the credit of that person remains unimpeached, the most direct and the best of all possible securities for its amount: that any amount, which can be calculated in any way, and simply recorded at the time; however it may be the rather secured of *some* payment; must necessarily be endangered, as to its permanent accuracy, by being, as it were, reinvested in any natural commodity.

A promise to return sugar a year hence, will be admitted to be a promise highly inde-





finite in its value, because of the variations to which that commodity is liable in the market. This may be obviated by merely calculating in any way, and recording, the present value of the sugar. If, as would probably be the case, this calculation should be made in terms of gold, it would be in the first instance, only because that commodity has become habitually the readiest medium for all such calculations. It may certainly have entered into the grounds for originally habituating ourselves to this commodity, that values once really expressed in it were esteemed less liable, than if really expressed in other things, to fluctuate in future. But this can only now be a secondary consideration; as it is the *present* value, and not any future value of the sugar, which we are called upon to calculate: And I would ask, why, if this value, when once calculated, can be simply recorded, we need actually reinvest it, even in this *least fluctuating* commodity? why trust it to any fluctuating commodity whatever?

If this is thought to be answered by saying, that our calculation is already expressed in terms of that commodity, which can have no meaning, unless as they may be actually referred to the thing itself; I reply, that the very subject in discussion at least proves the contrary; since all sides agree, that notes have at present a different meaning from gold. Or in other words, that expressions recorded in terms of gold, have somehow acquired a different meaning from gold, whichever may have really gained or lost in value.

May we not be allowed to think, that we may preserve the recollection of a value passed, even more accurately by simple description than if it was painted to us, as it were, in colours ever so little liable to fade; while no colours are wholly exempt from that frailty? The description may have been originally defective: It may be objectionable in various ways; but it will clearly be capable of remaining more permanently the same, than nature is known to allow any of her sensible objects to do.

This is precisely what I wish to contend of Bank Notes. If we can once allow ourselves to make the clearly *possible* distinction of what a guinea's value *was*, from what it *is*, or what it *may be*, we can have no hesitation in deciding, that it is to the former of these values every Note ought by preference to look; that it is the recollection of what the guinea's value was, if I may be allowed the expression, at the time the note was issued, which every note is in strictness



bound to express. If now we cannot doubt that guinea values, might for a time at least be remembered without guineas, even if the whole universe did not afford a single guinea,—the true question becomes,—What are Bank Notes but, professedly as far as they are guineas, the recollection of such *passed* guinea values? And by what principle of justice are they to be forcibly transferred to *present* guinea values?—Whatever inaccuracies paper itself is liable to, this is purposely to give it the inaccuracies of gold, from which it was by its nature exempted.

As Sir James Stewart justly observes, paper derives the fluctuations to which it is subject, only from the very circumstance of its having thus a forced connection with the metals.

"The paper of banks which pay, rises and falls according to the currencies in which it is acquitted."—*Polit. Econ. B.* 3, *C.* 6, *p.* 77.

To record past values, and, as we shall afterwards see, to secure to them an indefinite, rather than any definite, payment in future, is strictly the object of all currencies: and if it is desirable, when for this purpose we translate our expressions from terms of one commodity to terms of another, that we should adopt the commodity which is in general least likely to fluctuate; we should surely go further, and endeavour if possible to divest our abstract terms of any fluctuation to which even that commodity may be liable, by encouraging, rather than checking, any differences they would sensibly point out. Such would evidently be the present operation of *paper*, if we would only allow it that latitude which is essential to its nature,—of expressing gold terms without being absolutely identical with gold. And it is even what experience has taught us to reduce gold itself to perform; when, in practice, we have learned to assign it an invariable, distinguished from its variable, value, by stamping gold into coin, and then affixing to it a mint price.

With every deference to those who have lately insisted on the term *coin* in Parliament, I must be allowed to think, that it was even a less justifiable sacrifice to expediency, than it would have been on my part to have employed the term *paper currency*; since with more seeming pretensions, if it means any thing, it means simply *abstract currency*, and is so far the same thing.

The term coin would indeed have been properly insisted upon, had it been meant to confine the view to the mere manufactured material; or



to have added, at most, a slight seignorage, with the value of the workmanship, to the value of the metal. But when coin is allowed to derive the least arbitrary value, abstractedly from what may be called these natural sources, it acquires a character altogether artificial, and which would be better designated without any allusion to them.

Gold coin, for instance, if its value is strictly confined to its gold and its workmanship, is properly enough designated gold; but if its value is in the least raised beyond these, it is useless to describe it as gold; for in this state it cannot look to the gold market for any part of the value it now has—it must look altogether to Authority. After bankruptcy indeed of that authority, it might advantageously return, as simple gold, to the market.—It would but lead to confusion, that the pound sterling is called a pound, if we had not long ceased to consider it as connected with the pound at all; or in any other light than as an abstract quantity.—Why do not the Bullionists revert to the pound of silver?

Lord Liverpool says, "The power of affixing a value to the coin is in the Crown, only the Crown ought not to abuse the power." With deference to his lordship I would ask—Can that power in any way be acquired, unless through abuse? What would be the prerogative of stamping a half guinea into a guinea, if it remained optional with others to give it circulation at that price? And what advantage has the Crown in this respect over individuals, unless in the more commanding influence of its dealings, or rather its debts?

If the Crown can indeed oblige any one to exchange a whole guinea for a new stamped half one, I then bow with submission to the prerogative alluded to: but if, in common with all other dealers, the Crown can only propose to receive, as well as pay, at the value it assigns its pieces; it is surely idle to talk of this as prerogative. Any debtor may determine to pay in any mode of his own. The Crown, I am sure, will not claim, as prerogative, the mere difficulty it might throw in the way of recovery in its own courts.

I should not presume to mention this, but that it has always appeared to me the great error of the Bullionists throughout, that they seem to overlook, how much more really the values of things in general, but especially those of *abstract currencies*, are rather affixed by the buyer than by the seller—how much rather it is the person who



takes a note than the banker who issues it, though the latter writes the sum, who really gives the note its value.

If money indeed was only distributed, as we have read of its being, by tyrants; that is, scattered among the people; the Bullionists would have reason to look anxiously for some limit to it, in its natural scarcity, or the cost of its material. And it is because gold *is* in some degree so scattered among us by Nature, that such a limit becomes necessary for gold. But by far the more general issues of money, and indeed *all* our present issues of paper, derive their fixed value *wholly* from the person who receives them; and hence have *wholly* a different limit—viz. in the demand. The improvidence of merchants in taking up discounts may be great; but if the fault is in them, it is only Quixote-like in us to be attacking the PAPER-MILL.

A figure I before used on this subject has been ridiculed; and perhaps not without reason, as I had not distinctly stated it. But I must still contend, that the material for expressing credits so far resembles the mercury in the barometer, that while it depends on suction for being taken into the tube, in the basin it ought to be infinite.

This, which is a real advantage of paper, will always be a necessary imperfection in gold.—Because the quantity of gold is limited in Nature, it becomes always a necessary problem to compare its quantity in demand with its quantity in existence; or its height in the tube with its height in the basin—a correction which paper never wants. But this will be rendered more obvious, when in my third chapter I shall endeavour to shew, that paper is not, like gold, dependent for its value on any restriction as to its mere quantity.



## CHAPTER II.

### THE PECULIAR USE OF ABSTRACT CURRENCY.

WHEN in my last chapter I endeavoured to shew, that paper money has no absolute dependence on gold or the metals, my object was rather to point out the distinct character and existence of Abstract Currency, than to claim for paper, over gold, any decided superiority. Superior utility, upon the whole, I am far from saying that paper really has; but we need only refer to experience to be convinced, that with superior theoretic excellence, paper unites many peculiar practical uses.

It is, I know, a popular conception, that however some currencies may affect to be, what I have termed abstract; yet that all currencies must in themselves essentially require some basis of real value to support them: but it is easy to shew that this is a vulgar error which will neither bear the test of experience, nor reflection.

By the term currency, we understand whatever is employed as a medium, to circulate either debts or credits; or it may be at once defined the circulating medium of values. The question then, Whether currency need have real value of its own? becomes in fact, whether values can only, or can even best, be circulated by one of themselves? a question which however we may have habituated ourselves to answer it in the affirmative, involves in itself an original absurdity;—that of supposing, that the circulating medium can be properly a constituent part of its own circuit.

Accustomed as we are to this kind of confusion, its absurdity may not at once strike the mind; but my idea at least, may be readily illustrated; and on the very subject before us, if we will only allow ourselves to reduce its scope within the field of human comprehension, by assuming any positive limitation to the number of credits or debts.

Suppose for instance, that only ten persons were indebted to each other in the value of a guinea each; and that it was required to close finally the whole account. The least trial will convince us that this purpose may be even better effected with guinea notes, than it could possibly be by actual guineas; because those guineas



would now, by the hypothesis, be obliged to rest on their real values, having no room to circulate further.

Whoever will fairly try this experiment to the utmost, will find in it the full solution of all our present difficulties and disputes.—He will first find, that a single guinea note, issued by any of the parties, will of itself in time effect the whole object, if it is allowed to circulate freely.—He will find, that if any, or all, the parties were to issue original notes, and to allow every possible range to their circulation; still as long as those notes had founded credit, they could do no more than fairly balance the whole existing account; because no note could ever have discharged its original object, or could repass its original issuer, without losing that credit it had; and becoming as it were self-destroyed. And hitherto it is evident that no part of this reasoning is at all dependant on the limitation of number, except as to affording us a readier conception of its bearings; for however unlimited in themselves existing debts and credits may be, they must always equal each other; at least they must be capable of being thus liquidated by a simple transfer of credits for their commodities, without having any possible occasion to rely for ultimate payment on the value of what is professedly but the medium to circulate them.

The experimentalist may now proceed to try the same experiment, with actual guineas; but he will no longer perfectly effect his purpose; at least not with the same facility. He will now indeed wish to return to his unlimited field of debts;—but for what object?—*only* that he may be enabled to keep his guineas in *circulation*, and may never be reduced to rest upon their boasted real values. He will now see at once, what nothing but the too great extension of the field had hitherto concealed from him, viz. that any real value in currencies would, at least ultimately, be found an essential imperfection in their nature; and that even, at present, it is so far attended with inconvenience to those currencies which possess it, that it very much cramps their otherwise fair exertions; and is in fact the sole cause of obliging us to impose any narrow restriction even on *their* quantity.—A restriction which to other currency is wholly unnecessary.

An actual guinea, for instance, could not, like the guinea note, ever perfectly balance the account; because if we suppose it to have done this, it will not have at the same time destroyed itself, as the guinea note was seen to do. And since





by the hypothesis we have taken the whole circuit of credits, so that the guinea can circulate no further, its own value must either have been taken into the account, or it must remain sensibly in excess there.

It will perhaps be asked, what is the objection to its own value being thus included in the account? The objection is twofold. First, that it very much narrows the number of those currencies which might otherwise usefully circulate, and narrows them by a capricious limit: and secondly, that even *then* its performance can never be strictly accurate. In the instance alluded to, if a single guinea could satisfactorily balance the whole account, no more guineas could have properly been admitted, though there were ten, or rather one hundred, debts immediately calling for its intervention.—Because the hypothesis implies that, by a lucky caprice, after the nine had practically shewn, that they each preferred its value in other ways to the guinea, it had happened to fall at last upon the only one who rather preferred to keep the gold itself. And even still the transaction is unfair, because however it may meet the wishes of the tenth to keep the guinea, the guinea will not have offered to him, as it had done to all the rest, an option. This option is in fact the only legitimate object of all currencies.

While gold will secure to us that object, we may indeed speculate on having all our payments in gold; but there is this fundamental objection to any such speculation, that, if it were possible, the very possiblity would deprive gold of what is at present its greatest command over that option. I may be criticised for the *term*, as the option is not in the gold, which gold is known to give us over other things; but as I shall have occasion to recur to it frequently, I hope I may be allowed to distinguish this, as the OPTIONAL character of currencies, opposed to that character which in *real* currencies, considered as ultimate, would be evidently *specific*.

This is a distinction which the Bullionists seem wholly to overlook, and which appears to me the true key to all their errors. Paper indeed, if paid specifically in any thing, should hitherto have been paid in gold; but only because that article, of all real articles which could be pledged, has hitherto approximated *nearest to paper*, in securing an indefinite, or optional construction, distinct from any specific one.—Gold, I will venture to say, would at once lose all its popularity, if upon becoming capable of being rendered a specific payment for every thing, the demand for it should be complied with, instead of forcing the debtor, as at present, to substitute every other value at the option of the creditor. As for its real value subsisting in full force after its optional or relative value was lost, the idea is obviously chimerical; for if its principal value was not in currency, it would not be retained in circulation, away from manufactures. And having now *both* uses, how could it possibly retain its full value, if its principal use was withdrawn? Real currencies, therefore, as a security, would be always at best, demonstratively, a defective security; and they are liable to the objection, that for the security they do give, by way of specific pledge, they necessarily sacrifice something of that higher character of a currency—its *optional* character. For instance, if Lord King's tenants were bound to pay him specifically in gold, we have only to increase the difficulty a little further, and instead of his Lordship's right to substitute their goods and chattels at his own pleasure, it will become a fair legal question, whether the impossibility has not absolved them altogether of the debt? His Lordship is lucky, that though a Barrister, I am not his judge, as I *already* should have doubted, if forced to decide upon his own construction.



To return, however, to the experiment. If now we increase the number of guineas, as we did the number of notes, towards ten; we evidently but increase the difficulty of knowing who ultimately is to be contented with guineas, rather than with guinea values, in every other commodity—who is to sacrifice to the specific payment, his optional remedy: And though the whole ten notes, if they could not have circulated otherwise, would have had at least, each to return to its issuer, which it might have done through all the parties; ten actual guineas, if their own value was taken into the account, could not fairly circulate at all.

If, indeed, it is thought that the guineas might now circulate optional values to any extent, leaving each party always in possession of a guinea; I admit the fact, but it only amounts to what I am contending for—viz. that the value of the guineas themselves would require to be ultimately excluded from the account.

We have thus exhausted all the practical cases; because notes, of themselves constitute debts, and therefore cannot possibly ever exceed debts in number; and because practically, guineas can never be multiplied to equal all values, while we consider, as forming a part of those values, the guineas themselves. But in theory the case might be pushed further, and would



become highly aggravated; for there is nothing to prevent those who can suppose a guinea could still circulate by its intrinsic value, if it had no correspondent debt to call for it, from pursuing the experiment, and involving it in all the inextricable confusion which would result from supposing an eleventh or twelfth guinea.

It will probably now be objected to me, that I have myself felt the necessity of attaching paper to something more real; and have in some degree seemed to recognize the very pretensions of gold, since I have presupposed, to my note, the value of a guinea. But surely values may be compared with other values, without being actually convertible into them; and at any rate may thus be successively convertible, without being able to be converted all at once. The inches of a yard may be graduated to those of a foot, but they can never be compressed into actual trial at the same moment.—It must also be allowed me, that I might have taken any other real value as well as that of gold; and that in fact I have thus taken every other value *as well as* that of gold.—Upon this indeed I found a higher claim, viz. that my guinea's value, instead of meaning simply and strictly the guinea, is evidently upon the face of it, an expression of a much more extensive import. And it is one which, far from wishing ever to see realized wholly in gold, I defy, even the granted talent of the alchymist even to *aspire* to realize.

I claim the guinea's value then, as a something wholly distinct from the guinea; and from what could ever be possibly realized in guineas; and I claim this, its indefinite or optional character, much less with any view to the Bank, which may have happened to promise in that form, than I do for the public, who may have taken their notes. Still, if the Bank can be said to have pledged themselves to make all their payments ultimately in gold, I should not hesitate to undertake for them, that notwithstanding the Restriction Bill, they will at any time perform their promise, by paying more claimants in specific gold than will be willing to accept of it specifically;—that is as an ultimate payment to be converted no further.—If the creditor is to convert it further, why may not the debtor be indulged with rather paying at once in that further article; or in any other which might equally command that one. It is more in the character of Bank paper to command indefinitely other articles, while its credit is decidedly good, than it can be in the character of gold or any specific



commodity, because the procuring any other article at the option of the creditors, is a personal act, for which of course we can have no security so direct as personal security, supposing that to be good. Till the purpose is effected, the issuer of a note is at least always responsible; nor can the note be ever otherwise wholly discharged. But in trusting to gold for the same purpose, however well placed our confidence may be, we trust to chance for its performance, and commit ourselves implicitly;—for we could not resort back to our debtor if it failed us.

Lord Lauderdale complains of it as an inconsistency in the advocates for paper, to notice the distinction between paper and coin only during a supposed rise of value in the latter; when they had overlooked it during an avowed depreciation of coin to half its value, in the course of the last century. But admitting that the Bank were bound to have started the objection against themselves, when it did not suggest itself to their creditors, still it does not follow, even from his Lordship's premises, that the evil ever existed to such a degree, as to be sensible even to themselves. Such a change, to have been felt, must have been not only considerable, but sudden; and the Bank Note to have profitted by the change, must have been outstanding the whole century. I do not fear to concede to the Bullionists, that had the Bank gone on paying in guineas since 1797, there would have been much less objection to their being forced to continue to pay now. Not, however, that there would then have been less real change in the value of the guinea, but because then the present outstanding notes, which have all probably been issued since, would have been paid for in higher guinea values to the Bank. The Committee must surely themselves allow, that upon their principles, the Bank have not received full gold values for, perhaps, a single note, which is now outstanding; and hence there is an evident injustice in the remedy proposed, however it might be necessary. But the fact is, that the remedy is no more necessary than just; that we are rather perhaps indebted to the Bank suspension, for having certainly contributed to *shew* us the variation of gold; though, as Lord Lauderdale justly observes, its direct tendency must rather have been to counteract that rise of gold, it shews us—by dispensing with one of the principal uses of gold.

Notes were none of them outstanding during any considerable part of the last century; but contracts as certainly were outstanding the whole time, and



must have suffered in the way Lords King and Lauderdale apprehend, from having then no distinct reference to paper; from being habitually referred rather to gold and silver.—Had there been during that period a suspension of metallic payments, it would probably have gone some way, even then, towards detecting and checking the error: still Lord Lauderdale is mistaken, if he thinks the Bank would have had to pay the difference; for as the value of guineas varied during the century, the Bank received themselves, as well as paid for their notes, at those varying values. Since the Bank-suspension they have received at a fixed value, which has not varied, with that of gold at least; it is therefore but fair they should be allowed to pay for their present outstanding notes at the same value. This indeed will induce a difficulty of returning to cash payments, as long as the present price of gold shall continue; but however desirable such a return may be thought, I, for one, cannot sincerely regret even the real inconveniences it has produced, if they should ultimately oblige us to recognize their true moral—in the absurdity of permanently fixed Mint regulations.

To return, however, from this digression, I may at least claim from the experiment above adduced, that however we may retain the notion, that some guinea notes should at all times be converted into guineas, for the better security of their measure, we should wholly divest ourselves of the popular, but absurd confusion, which supposes that the conversion of all guinea values at once into guineas, could be even theoretically possible, much less practically essential to their just payment.

The Bullionists will, I know, object, that this is the very distinction which they themselves have drawn; since they expressly charge the nonconvertibility of Bank Notes, with having affected their measure only, without having otherwise affected, as yet at least, their credit and security. In words, I grant, they do so; but have they in fact adhered to this distinction? Have they not largely availed themselves of the popular clamour to have *all* Bank Notes, not merely *compared* with guineas, of the time at which they were issued, but actually convertible into guineas of this, or any subsequent time?

Without this, indeed, the Bullionists could not have advanced a step; as they could no otherwise have sustained the present nonconvertibility of notes. The Act indeed, repeals a *forced* conversion, to which Bank Notes before were liable; but this only leaves them the greater latitude for natural exchange. There is surely an evident inconsistency in arguing upon the nonconvertibility of notes, and yet appealing, as the Bullionists do, to daily instances of their more natural, if less legal, conversion.



As far as comparison only is concerned, we can never have wanted guineas to compare notes by; it is idle to contend that comparison cannot be effected, only because equality ceases to be enforced. A truer position is, that the convertibility of Bank Notes into guineas, had never its full effective force, till the Bank were discharged of the compulsory obligation; and that even now, that convertibility has not its full effect, from being obliged to be clandestinely carried on, and having to contend with the Mint regulation.

The anomaly which at present exists, is very far from being the nonconvertibility of Bank Notes into guineas. It is the double convertibility of guineas, in one particular case;—as they may be naturally exchanged in secret, or compulsorily exchanged by law. We have still, as we always have had, an ample supply of guineas for mere comparison. A single guinea, or even the recollection of our last guinea, would be perfectly sufficient, as long as that recollection remained, for the purpose. Let us not then so far confound all principles of reasoning, as to hold, that because Bank Notes have no longer a forced conversion, they need have at all suffered in their natural convertibility.

Lord Lauderdale at least, fully admits, that guineas vary considerably in their real value: He quotes an authority for the fact of our coin having depreciated a full half in value during the last century. Surely then his lordship will not deny, that in equity at least, if not in law, specific guinea contracts, made at the beginning of that century, would have as justly needed correction at the end of it, as Lord King supposes pound contracts to have needed correction in his time. But if it is admitted of *guinea* contracts, it is not even so sure of *pound* contracts; at least all Lord King's evidence of the necessity, taken from the supposed fixture of guinea values, falls to the ground. One principle I should hope Lord King himself will not dispute with me; viz. that where past and present values can be supposed to differ, all contracts should in equity refer to the past value, at the time they were framed. This is all I claim for notes,—that they





should be allowed to appeal from the present value of guineas, to the value guineas had at the time the Suspension Bill was passed; if since the disuse of guineas, notes are still to be constrained to refer to them. I do not undertake to say, that notes have themselves accurately preserved this value, but I do insist that we have no better evidence on the subject, and have no good reason to doubt of the fact.

While the Bank continued accommodating their payments to the varying values of gold, they continued receiving for their notes at the same values; and as their daily receipts and payments must be nearly equal, this could not materially signify to themselves. But admitting the Committee to have reason in what they say; the present Bank Notes have all been issued at values, which, if more variable than the values of gold, have, according to the Committee, been all the time disconnected from gold, and sinking beneath it. The Bank then in paying in gold, would clearly have to pay for their outstanding notes, a higher value than they themselves had received.

No error can be more gross, than the vulgar error, which many fall into, of supposing, that because the Bank have gold in their coffers, they must have absorbed that gold in return for their paper, from the public. The fact is distinctly the reverse. The Bank have been at all times themselves the greatest gold importers, and must have imported from countries where their paper alone, would have little currency.

I shall venture an illustration (which I fear may be thought quaint,) because I am myself convinced of its accuracy.

The room I am sitting in has not been repainted for years. I have had its colour constantly before my eyes, and so far ought to be assured of its identity; still I can trust to my recollection to say, that the colour is faded. Suppose now an Act of Parliament, or only a covenant in my lease, obliged me to repaint it the same, might I not with perfect propriety, refer to the colour itself, yet order it to be made a shade or two deeper? where then is the absurdity, if guinea values ever differ, that we should still refer to the present guinea, allowing the note however, to correct it, by recollection, to the past.

Suppose a law to run thus,—Whereas, in covenants of leases to repaint of the same colour, it has been usual to make certain allowances for the fading of other colours, by a reference to a scale of brown. But no allowance was permitted



to be made in brown, which had been supposed not liable to fade—now doubts having arisen whether, under the influence of the late comet, browns even are not disappearing so fast, as to threaten the being no longer at hand to refer to; even if they themselves have not undergone a change: it is hereby enacted, that for the present that reference is dispensed with, the identity of shade being to be given generally in evidence and go as an issue to the jury.—Would not such a statute, though somewhat defective in precision, sound even more fair in its principle than the statute it had professed to repeal? And this appears to be an accurate fac simile of the Bank Restriction Bill.

The reduction of all values, variable and invariable, to one invariable value, and even that one, necessarily only a part of themselves, can never by possibility be more than an imaginary process. Where then can be the real alarm at its being left for a time to imagination only? How fatal must be the error of enforcing at a moment of difficulty, what it is demonstrable would in the best of times be impossible, not only in practice, but in theory!!

I flatter myself then I have shewn, that the conversion of Bank Notes into Guineas, while Bank

Notes can remain a just representative of other credits, must be at least wholly unnecessary to their ultimate payment.—I flatter myself I have shewn, that as far as such conversion was a real check on their measure, the Bank Restriction Bill, in only releasing them from a forced connection, with what was at best itself an erring guide; could never be fatal, to that security. Still there remains one argument, which, though it could only have been fostered by the prejudices I have endeavoured to explode, yet requires a distinct answer, as it professes to have a distinct foundation in analogy. I allude to the idea that Bank Notes, independently of all reference to any particular commodity, must themselves, *like commodities*, be liable to vary in value, as they increase in quantity.—I will venture to say, that no hypothesis was ever more generally received upon a less foundation, but this will be the subject of my next chapter.



## CHAPTER III.

### THE LIMIT TO ABSTRACT CURRENCY: OR THAT PAPER IS NOT, LIKE GOLD, NECESSARILY DEPENDANT FOR ITS VALUE ON ITS SCARCITY.

IN my former chapters I endeavoured to shew, first, that paper money has no necessary dependance on gold or the metals; and, secondly, that in ultimate cases at least, paper would have decided advantages over any real currency. Those very advantages exempt paper from needing the same restriction with gold, as to its quantity; but it may require some further illustration to shew fully how they apply.

Gold and paper, as currencies, so far evidently agree, that we know debts and credits may be abstractedly measured, and expressed, with equal facility, by means of either of them. But here their agreement as evidently ceases, if it is true, as the Bullionists themselves insist, that while paper can never do more than record and transfer the debt it has measured; gold, if it actually passes, at the very moment of measuring debts, will by its equivalence, have at once discharged them.

Mr. Huskisson himself observes, that gold is, at once, the common measure of values, and their universal equivalent; while paper, from having no pretensions to equivalence, can serve as a measure of values only. The fact may be admitted; but far from being, as he would seem to assume, decisive in favour of gold, as the better measure; it should rather have led him to doubt whether either faculty, in gold, might not be rendered less perfect by the necessary confusion of this double capacity?

It is certainly open to be argued, that since even paper, before it begins to measure, is obliged, as it were, to borrow an equivalence somewhere; it should seem an advantage in gold to have already a native equivalence of its own. But such an argument is far from decisive: on the contrary, I should rather have been led to reason, that if experience has taught us, that those qualities may be separated, there is probably a natural advantage to be gained by their separation. Nor should I have hesitated to find that advantage, in the fact, that a borrowed equivalence must always be open to occasional adjustment, which would not be the case with a native or fixed one.



If this may be thought too abstrusely metaphysical, I am not without high practical authorities to adduce in its favour.

Lord Liverpool expressly says:—"As a measure, money, like all other measures, should be "made of a material of little or no value; but then "it would not answer the purpose of an equivalent. If on the contrary it is made, to answer the "purpose of an equivalent, of a material of value, it is subject to frequent changes according "to the price at which that material sells in the "market; and on that account fails in the quality "of a standard or measure."—*Letter to the King*, p. 8.

And Adam Smith, after observing, "that gold and silver vary in their value, are sometimes cheaper, sometimes dearer, sometimes of easier, sometimes of more difficult purchase," adds, "But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an "accurate measure of the quantity of other things; "so a commodity which is continually varying in "its own value, can never be an accurate measure "of the value of other commodities." *Wealth of Nations*, l. 1. c. 5.

Such authorities seem at once decisive of every thing I would contend for, viz. that the value of the material which gives its whole *equivalence* to the guinea, rather serves to endanger, than secure, the accuracy of that guinea as a standard or measure. It surely does more than merely countenance the idea, that *paper*, professing to be a measure of values only, may be rather benefitted in that character, by its very want of real substantial equivalency. At present, however, my views are more limited. I would merely appeal to the fact of there existing so total a difference in the intrinsic value of the two materials, gold and paper, to have an opportunity of calling the reader's attention to the necessary effect which such a circumstance must have upon the question, what limit is respectively necessary to their quantities?

At first it may be thought, that any such consideration can be little favourable to the conclusion I would draw from it; since the greater the value of the material, the less anxiety we need feel about imposing a strict limit to its issue. This would be true; but it evidently applies to differences of *real* value; and can have no application where there is professedly no real values whatever. Reflection will convince us, that as far as our experience goes, excess of quantity must always



have affected the *real* value, before it could possibly operate on the *relative* value, of gold. If then it should seem, that it has been only through the real value of gold that its relative value has ever been sensibly affected by excess, how can we reason by analogy to paper, which has no real value originally to suffer? The fact I think can hardly be disputed me, that, hitherto, if guineas have ever fallen in value from excess, the value of the metal generally, must have been sensibly affected, even before the change was felt in the guinea. Nor will it be an answer to this to say, that hitherto the excess has always originated in the mines, rather than in the coinage. The fact cannot be so; for every new coinage has probably varied the number of existing guineas; but unless it has been known to be attended with some extraordinary production of the material immediately from the mines, it has never been suspected of interfering with the individual value of each guinea: indeed if it could, every new coinage would require infinite care not to be fraudulent. Let the mines be stopped from working—and let all or nearly all the present gold in the universe be idly diverted from manufactures to be coined into guineas: If now, as we are bound to suppose, this would only make those manufactures the more craving to have the gold restored to them, it is not possible to believe that it could occasion any fall in the value of each guinea.

Should it now be argued that the guinea as a guinea, would in this case be less valued, as would be seen by its being bought up only to be converted again into mere gold; it may be answered, that this would depend upon other circumstances: but my answer would be, that in compelling my antagonists to confess that the guinea can have a character essentially distinct from its gold, I have brought them to recognize its idea as an abstract currency. At any rate, the argument clearly leaves me all I am at present contending for, viz. that we can have no experience of metallic money, ever depreciating in its relative value without its depreciation having been preceded, if not caused, by a correspondent fall in the real value of its material. And I repeat my question, How in this case can we reason by analogy to paper from gold?

This reasoning will cease to surprise us, if we only consider to what it ultimately amounts. Can it be thought strange, that a peculiar energy, should call for a limit of its own? When we know that the real or supposed intrinsic value of



a guinea would give it a forced circulation, though it were only conjured up from the alchymist's crucible, without having any corresponding debt or credit attached to it, we cannot surely wonder, that this very power of forcing a circulation from themselves, should make it necessary for real currencies, to have some forced limit in themselves too; or in other words to be restricted as to their quantity. Paper, on the contrary, will naturally depend for its limitation, as it does for its circulation, on causes wholly extrinsic to its material, that is, simply on its credit.

My argument distinctly is, that because Bank Notes are indebted for no part of their value in circulation to their paper—because their material has no share whatever in giving them credit and currency; neither is it the source to which we ought to look for their limitation.—The number of Bank Notes might indeed be inconveniently circumscribed, was there a real difficulty of procuring the material; but as long as that material has no power in itself, its superabundance cannot possibly force their excess.

The analogy between gold and paper might indeed have been further sustained, but in a way that would have been little satisfactory to the views of the Bullionists. For since the credit of gold lies wholly in its material; and since that material must suffer depreciation, before its coins, however multiplied, will lose their value; even here the depreciation of the coin may be said to proceed more directly from discredit, than excess. Paper money has no other material than credit. If this indeed is strained by multiplication to excess, then paper, like gold, may be said to be as it were depreciated through its quantity; but mere quantity will have operated in neither case. Neither gold nor paper can ever be really attacked on the score of quantity, unless they are first affected in their credit.

Lord Lauderdale objects it to me to have said, "that the Committee must presuppose some relative discredit of paper, before they can explain the cause of the rise in the value of gold." His Lordship, however, must do me the justice to allow, that my position rather was: "The Committee must presuppose some relative discredit in paper before they can explain the cause of its exchange, *without* having recourse to a rise in the value of gold." Even upon his Lordship's own terms, it never could have been a decisive answer, to have produced a mere relative rise in gold; because what is nominally a relative rise in



one article, is always strictly a real fall in some other; and is in this instance, by his Lordship's own shewing, whether he calls it a discredit or a lowered estimation of paper.

My position was at least a simple one; it merely imported, that the exchange of two commodities by any single person, was only to be promoted by an increase of estimation to the one side, or a decrease of estimation to the other. His Lordship will not surely contend, that his process confines the subject to gold only; for admitting that gold itself might be discredited below its real value, by its association with paper in currency, while paper which has caused that discredit (for such is necessarily the system,) without being itself the least discredited, has fallen in value only; this would indeed account for relative differences in the value of different forms of gold, and would account for the interchange of those forms between themselves; but this alone would never account for the exchange of gold with paper. The guinea, for instance, depressed in its value as coin, would no doubt be at once, for that reason only, melted into bullion; and withdrawn from currency; but if it is ever bought with paper to be melted, the purchaser of course looks to the difference between his paper and the bullion, rather than to that between the bullion and the guinea.

The Committee had distinctly observed, that it would have been the fall in the value of paper, which but for the Bank Restriction, would have brought back notes to be exchanged for gold. His Lordship is however right in endeavouring to shift the subject to the gold only; because (though, as I have already hinted, at cross purposes, as it should seem, to his own system,) he can upon gold just raise the distinction that system requires—of value which may differ from the value accredited to it. His Lordship's gold in coin, by its association with paper, has evidently suffered in its *credited* value only; I am ready to admit that there might be some degree of system in supposing, that if the two values existed equally in paper, the case might there be reversed; but till I am shewn that paper has any other than simply an accredited value, I must be allowed to doubt of the possibility of its losing value, in any other way than through its credit. This is the real issue between the Committee and the advocates for the Bank. I am sorry to seem to express myself confidently, against in other respects so much higher authorities; but I must insist that there is no where to be found in print, a more wan-



tonly gratuitous and unfounded assumption, than that while the credit of Bank Notes is unimpeached, they can have any other material which can expose them to excess.

The Silver Tokens we have at present in use, afford us a full proof, if any proof could be wanted, that it is only in as far as the denominations of money are dependant on the real value of their material; that they ever involve any real concern about its general quantity. The value of the silver they contain is wholly unimportant to us, if the Bank ultimately execute their engagement to retake them at a specific value, independent of that silver.

The Committee, however, are entitled to every credit for the candour with which they avow their opinion, that however the paper of the Bank may have become superabundant, the credit of that paper has not been in the least primarily affected. Each issue of the Bank, say the Committee, has in the first instance "been useful;" but it is the instrument which expresses that issue, which is liable to abuse; and by circulating too freely, has become hurtful. Nor are the Committee less candid in acknowledging that they have deduced this notion simply from the supposed analogy between paper and gold.

They say, "An increase in the local currency "of any particular country, will raise prices in that "particular country, exactly in the same manner, "that an increase in the general supply of the pre- "cious metals raises prices all over the world."—*Report*, p. 7.

This reasoning may appear plausible while we give the Committee credit, that in changing a word to relieve the language, they would be above substituting a wholly new idea. Candour at first obliges us to suppose, that what is merely described as local currency, is no otherwise distinguished from the precious metals to which it is opposed, than as being more limited in their circulation, though otherwise of the same species. Mere difference of greater or less locality would then have obviously had no effect upon the question. But the case is wholly altered when we find, that by local currency, as opposed to the precious metals, the Committee would be understood, to have sufficiently designated paper. Paper, as a currency, is not in principle at least, at all more locally limited than the precious metals, while in other respects it is of a different species altogether. If upon their own system, paper differs from gold in far more essential points, than that of being simply more confined in its circula-



tion, what may have been proved of the precious metals, will not have been proved of currencies generally; and still less under the mere term local currency, can it be allowed to conclude paper.

The Committee observe, "In the first instance, "when the advance is made by Notes paid in dis- "count of a bill; it is evidently so much capital, "so much power of making purchases, placed in "the hands of the merchant, who receives the "notes. And if those hands are safe, the operation "is so far, and in this its first stage *useful*, and "productive to the public. But as soon as the "portion in which the advance was made, per- "forms in the hands of him to whom it was made, "this its first operation as capital, as soon as the "Notes are exchanged by him for some other arti- "cle which is capital, they fall into the channel of "circulation, as so much circulating medium; and "form an addition to the mass of currency;— "*the necessary effect of every such addition to the* "*mass, is to diminish the relative value of* any "given portion, in exchange for other commodi- "ties."—*Report, p.* 23.

If the Committee had suffered themselves to reflect how this effect becomes necessary, they would have seen at once, that the reasoning can only apply to those currencies which are distinguished as possessing the character of equivalence, or which profess to owe their exchangeable value to some distinct value they have of their own. They would have seen that it can have no application to those currencies, which, professing to pass in exchange as mere tokens, at an arbitrary value assigned them, are of course in that value wholly independent of any other value they may happen to have in themselves. As far as the guinea, for instance, passes in exchange through equivalence, its value cannot fail to be affected by every alteration of its mass or material. Accordingly, we know by experience, that was its mass divided into equal parts, its value would be divided and go with them. But here at least our experience is decisive, that guineas and Bank Notes are not similarly circumstanced as to the masses of their material; for we know that because the note is a token, however its material may be disfigured or torn, it must always retain its full value, while it retains any.

Till it can be denied, that, as far at least as our experience goes, the guinea has never been seen to suffer in its relative value in exchange, but in consequence of its gold, having previously become of less real value in itself; the Committee



cannot surely be justified in reasoning by analogy to any such affection of paper, which, according to themselves, has no real value originally to suffer; has relative value in exchange only. They shew us that the relative value of gold in exchange, may vary from changes in its real value, and at once apply this by analogy to paper, forgetting their own distinction, that that has no real value whatever.

Paper has first, no original value of its own, whose primary affection, could react on its relative value in exchange. And, secondly, as it passes in exchange professedly as a mere token, it would there be wholly independent of its real values, even if it had any. This again is fully exemplified in the silver tokens at present in use, whose arbitrary value is purposely made to bear a very small proportion to their real value, to distinguish that it is calculated with no mere view to economize the material, but simply to give them the character of tokens; and thus exempt them at once from being subject to the fluctuations of that material. Can it then be doubted that the same principle would apply more forcibly to paper, which is equally a token; only rendered less exposed to possible misconstruction, by being purposely deprived of all fluctuating material whatever?

As a collateral security indeed, supposing the credit of the Bank to fail, there can be no doubt that their silver tokens, would have every advantage over their paper ones; but that is a perfectly distinct consideration. And it is clear that in the character of tokens simply, the paper token has the advantage of being the more simple and pure of the two; that the silver token from its mixed character, is liable to induce many confusions. We know, for instance, that upon due authentication, the Bank have never hesitated to replace those notes, which had been accidentally burnt or destroyed. In principle they ought to do the same with all tokens, but could not with the silver token, because there is mixed with the token, the real value of the silver. Again, supposing that in a course of time, our dollar tokens become considerably light, the Bank will, I doubt not, retake them at their original value; but this will be at an evident loss to themselves, which will necessarily have resulted, from the essential imperfection of their system, in affecting to blend together things by nature immiscible; such as must always be arbi-



trary values with real ones; or any real value with a token.

Whoever is not afraid of pursuing an analogy, will find, I think, even more, in comparing the present competition between gold and paper, with that which formerly subsisted between the rule of false and algebra.—The idea of requiring some real value to be actually present, to enable us to call to mind any other of the varying values of nature; resolves itself into the very same human weakness, which submitted to guess an actual number, and would then more laboriously work with that number, knowing it to be wrong, rather than trust itself to the more accurate simplicity of an abstract analytical character.

That analogy would have been more obvious, but that from habit we have learned to assimilate the processes of gold and paper currency; and, indeed, to be altogether inconscious we are working either. The fact, however, is, that both imply a calculation which is always carrying on, and which is only concealed from us, as the motion of the earth is concealed from us, by our being constantly engaged in it.—Of this, I think, we have evidence, as well as of the processes being originally different, in the practical necessity we have found, to put the metals under a degree of restraint, in the form of fixed Mint prices. This at least impresses itself on my mind as another reduction of the rule of false to algebra,—as reducing the real metals to arbitrary abstract currencies; or assimilating them to paper.

I do not pretend to know, whether the average of all values, is a fixed or a fluctuating quantity; though I think the probability is rather in favour of the notion that it fluctuates; since we have reason to think that the sum of human passions increases with the temperature of the seasons. I do however insist, that whether it varies or not, it is to this average, we are, and ought to be, constantly adjusting the values of both gold and paper; and that only in as far as that average is a fixed quantity, ought any kind of money to have a fixed standard.

The notion of a fluctuating standard, will I know be cavilled at; but Science ought long since to have set us above such quibbles, if it was only in the having taught us to refer to the oscillations of a pendulum, for our standard measure of time. The just standard for dress would at all times be best sought in a mean between the coxcomb and the sloven; and this might be supposed to be nearly uniform; but we know that it



would answer to no specific drawing or model. I am well aware of what I risk, but I am indifferent to consequences, while I only labour, however unsuccessfully, on an abstruse subject to make myself understood; and immersed as we are in all fluctuating nature, I cannot but feel that the import of what we are accustomed to call our fixed standards, is liable to much prejudiced misconception.

My notion will at least be somewhat illustrated by referring to the well known subject of our funded property. While that is admitted to be fluctuating, I venture to infer that it is impossible for any other property in its money price, or even money itself, to be fixed.

Suppose, for instance, we could be sure of attaching the same real estimation to land, one hundred years hence, which we do at present, and were also sure of attaching the same real value to gold; still it cannot necessarily follow, that we should then be as ready to part with our gold for that land, if opportunities should then exist which do not at present, for laying out that gold to greater advantage in the purchase of stock. Unless then we could fix every thing, it is as absurd in theory, as it is well known to be impossible in practice, to fix a standard which can prevent the depreciation of money.

In this, as in many vulgar reasonings, we sacrifice advantages we might fairly have, by vainly anticipating what we only wish. It might perhaps be desirable to have the fixed predominate over the fluctuating: but nature has arranged it otherwise. And driven as we are to sea, it is the first of lessons we have to learn, that we greatly increase its dangers by endeavouring to linger near its shores. Thus with respect to value, could we indeed wholly avoid leaving any part of its expression to be abstract or arbitrary, I am not sure that such a real money system might not in every way be preferable to paper. But since we find it necessary to introduce, though only a slight arbitrium, into the use of the metals, by binding them down to Mint prices; this must render the whole subject rather arbitrary than otherwise; and leaves no room to doubt, that as far as accuracy only is concerned, between a purely arbitrary, and a partly real expression, the purely arbitrary may adapt itself better, and be the safest to trust to altogether.

If money *will* fluctuate, though only with the Funds, it is surely our truer object to watch accu-





rately its fluctuations, than to amuse ourselves with idle assumptions of its being nearly fixed. And hence I have myself no hesitation to say, that fluctuating as we suppose the funds to be, I should for any distant speculation, while I could confide in their security, prefer, as the less gambling policy, a stock, to a money, bargain.

This, perhaps, made no part of Mr. Bosanquet's idea, and I cannot perfectly reconcile his "interest of so much stock" to it; but if driven to seek a standard for money from any ostensible quarter, I would, if I could exclude discredit, go to the most fluctuating funds, and derive it by preference from Lloyd's average price current of the day. I venture to assert that paper, both in theory and practice, and gold, in practice at least, if not in theory, are in the constant habit of being adjusted, as it were, by their brokers, to some such general average of all the varying values; and accurately serve as money, only in as far as they are so adjusted to this measure, whether it can or cannot be strictly called a standard.

Though I sincerely acquit the Bullionists in general of consciously intending the fraud, yet my conviction is decided, that any present reference for past contracts, to the real value of gold, would amount to precisely the same swindling, which one sometimes meets with in life; when we see those who anxiously watch, and ultimately take advantage of every fluctuation of the funds, affect to declaim against stock bargains, (which would effectually prevent this;) professing to be really deceived, and to look only to the superior fixture of money !!!

I have been criticised for personifying too boldly, when I spoke of gold as personally asserting pretensions which I could not be misunderstood to mean, that its advocates assert for it. I had thought this more respectful to my readers, than to trouble them with whole sentences of mere assurance, that I myself knew gold was not animated. Still I cannot admit the justice of the critique, at least, while my antagonists are allowed to use figurative expressions unqualifiedly, which from the very circumstance of their being less bold, are only the more liable to lead to real confusion. There is an instance of this in the passage above alluded to, where the term "exchange for" is unconsciously used by the Committee in a figurative sense, and is then applied in its real one.

Money, indeed, in as far as it is thought itself an equivalent for the commodity it purchases, may be strictly said to be exchanged for that



commodity; but, since whoever takes a Bank Note for a commodity, has still the full value to receive elsewhere, the commodity itself remains as simply lent, as if no note had been taken. The note itself has surely exchanged nothing as yet but the debtor.

I cannot help insisting upon this distinction, as it would surely seem to include the utmost effective power of Bank Notes in circulation; and it pointedly leads to the question I wish to ask the Committee, viz. How it is possible to conceive that the debt itself need be affected, by ever so repeatedly but exchanging the debtor? How any one can persuade himself, that a promise to pay generally, if issued to A. could be in the least altered in itself, though it should be successively transferred through the whole alphabet to Z.? Yet this the Committee distinctly maintain.

A thesis so extraordinary is not indeed professed to be originally deduced from reasoning. It is said to be traced to paper, by analogy from gold. An analogy which I flatter myself I have already shewn not to exist. It is, however, endeavoured to reconcile the conception to reason, by saying, that however it might be just for every existing debt or credit, to have a distinct expression of its own; yet that expression may well be suspected of being out of place, and creating confusion, when in circulation it is seen to personate wholly distinct debts.

The Committee should, however, have reflected, that Bank Notes can only personate, in this way, debts which previously exist, and which themselves call for the intermediation of those Notes. And that whatever other debts, a Bank Note thus discharges, it leaves without any expression whatever. Where then can be the tendency of circulation, by notes at least, to create any excess of such currencies or expressions. Virtually it can in no view carry the number of expressions, beyond the number of debts; and its apparent tendency is, on the contrary, directed to a reduction of their number. A Bank Note, for instance, can never do more than perform its full circuit. However rapidly it circulates, it can only be in its passage home to its original issuer; for whenever it once arrives, it is by its very nature self-destroyed. Suppose a note to have travelled in this way round the world, and to have changed hands at every inch: It will indeed have discharged as many debts, as there were inches in the circumference; and will have been a substitute for so many currencies



which might otherwise have wanted expressions of their own: But as those expressions will have been saved, it is surely idle to talk of this, as possibly occasioning any superfluity of expressions. While its own debt remained undischarged, the note could never have fairly been dispensed with: and since the moment that debt is discharged the note ceases to exist, it is surely difficult to conceive at what period a good note can possibly become superfluous!! If the case is different with real currencies, this has been shewn to be only for want of any such power to destroy themselves after their office is performed. Their real value subjects them to become excessive.

In thus recurring to the experiment of my second chapter, I venture to assume it sufficiently proved, that in ultimate cases, at least; or supposing real currencies could ever have fully discharged the duty to which they had been called, their whole real value, which still would necessarily remain to them, would so far have been an excess. I am ready, indeed, to admit that this is a case which will never occur; as we take care to select for real currencies, the articles most defective in quantity; on purpose to prevent the possibility of their task being ever fully performed by them. But the case does not the less theoretically exist, and if I can shew that at our present distance from it, it sensibly operates; and is the the sole cause of that restriction as to the quantity, which we find it necessary to impose on the precious metals; we shall at once see, that at least the same restriction can in no way be applicable to paper.

That experiment proceeded on a simple principle, which, however the Bullionists may have seemed to overlook, I yet confidently claim as the most obvious, and most universal principle, which regards money; viz. that, upon receiving currencies of any kind, whether of gold or paper, we should not like to be obliged to specify, at once, into what articles those currencies are to be ultimately converted; still less to engage to keep the very currencies themselves. In other words, that it is the primary object of all currencies to secure an optional, and of course indefinite, rather than any specific payment to the creditor. This is indeed but just; for the purchaser of an article, has always his option of the article at the time he parts with his currency; of course that currency would be defective in principle, if it should fail to secure to the seller who receives it, a similar option, when he may part with it again. However then we



may be accustomed to hear declamation in favour of specific payments, we must not forget, that whatever advantages they certainly have in practice, their very idea would seem essentially at variance with the primary object of all currency. In fact we find that it is only after having carefully secured to currencies this primary object, in a general versatility of character, that we can begin to listen to the secondary consideration of how far they may be allowed to be specific. Till it can be denied that those who at present desire to be paid specifically in gold, name that specific object rather with a view to the indefinite latitude it affords them over other things, than with a view to keep it specifically itself; there is surely no part of the character of gold payments which we ought less to dwell upon than that of their being specific.

I am far from meaning to dispute that there are good reasons for preferring gold payments to paper payments; but it is a grossly mistaken idea to think this question involved in the present discussion. The question, at present, is whether paper should be paid in gold alone, or left open to all the variety of other articles; and I do insist that those who give gold in this respect the preference over other specific articles, do so only from its being, of specific articles, the least ultimately specific—from its approximating nearest to that perfect indefiniteness, which but for the forced construction of the Bullionists would evidently belong to paper.

We cannot, indeed, doubt, that if an option is intended to be left to the person who receives a credit, that intention will even be more specifically expressed by a promise upon paper to pay in values generally, than by a promise upon paper to pay in gold, confiding that Gold will afterwards command those values.

This opens to us at once the true theory of specific money payments: Professing to be only intermediate, as money payments necessarily do profess; the idea of their ever being strictly absolute, involves an evident theoretic absurdity. This very circumstance renders specific payments essentially imperfect in their nature; because they do indeed absolutely discharge the person, but in so doing necessarily leave a personal obligation to be discharged by an inanimate thing. Where the security of the person is any way suspected, even such a change may be favourable; but supposing an attempt at performance to be equally sure from both, I can see no reason for assuming, with the Bullionists, that



the performance by the thing, should necessarily be the more accurate and better.

It is not then in the least denying that there may be a just preference for gold in actual deposit, over a mere personal promise upon paper; to deny, as I firmly do, that a promise upon paper is in the least improved by being construed rather a promise of gold than of value generally. A promise of gold upon paper is but a personal promise, however strictly it may be construed; and I do assert, that it gains instead of loses security, by any more liberal construction; as that must tend to its being executed with the greater facility.

Those advantages which the metals certainly have in actual deposit, it is idle to think, can be at all communicated, by the mere allusion to them upon paper. The advantage is practically real, in the deposit, where alone it exists; but even there it is purchased at some sacrifice of principle; for, however, it may be true that to a certain extent, gold payments may be specific without sensibly losing any thing of, what must beg leave to call, their indefinite optionality; it is to a limited extent only. It would be chimerical to suppose, that the specific and the optional could ever be perfectly reconciled together.

Their occasional jarring is only what we ought to expect; and it is the true source of those anomalies we are at present experiencing between the Mint and market prices of money.

It will always be a question of difficult policy to decide, how much of the optional character of credits, it may be prudent to sacrifice to the better securing the certainty of some payment: but it is clear that the more we specifically define the payment at present, the more responsibility we take upon oureslves, as to that latitude of option we ought to look to in future.—And that if all payments could be strictly reduced to be made in gold; gold by the hypothesis, ceasing to be itself paid for in other articles, would have lost its highest value, having lost all optional power whatever.

While nature, indeed, has denied us the means of procuring the precious metals, to any thing like the extent of those payments, which are at all times required to be made in them, we may safely talk of enforcing their specific production, being well assured that the thing is at any moment impossible; and that when in time it may





seem to have been effected, instead of any real production of gold, there will only have been a freer circulation of that metal.

This was, indeed, the only object intended by the measure; or it would be absurd in those who require gold to be produced for all payments, to couple the idea that its quantity ought to be limited. The *procurement* of gold here alluded to, is expressly its *exchange* for all other values; and is intended for no particular instance, but for its constant adjustment to all instances. It is on this account, that we find economists endeavouring to justify each fresh production of gold from the mines, as a mere exchange; under the idea of its being only fairly exchanged against so much labour.—A system not sanctioned by experience; and which would seem to me, to defeat its own object; for to make gold necessarily cost the whole it can be worth, would merely be to render it of no real value altogether.

Could the quantity of gold be strictly limited, and could we be sure the demand for it was permanently the same, then the enforcing its production for all payments, would become, however theoretically inaccurate, a measure of real practical avail: not that it would in the least improve the individual payment, by giving gold rather than any other value to the creditor; for the very same cause would allow his possession of the gold to be but transitory: but, that by obliging gold to be always in circulation, and constantly exchanged with values of every kind, it would secure to gold the having an accurate standard, as a currency.

The more we reflect upon it, the more we shall be convinced, that it is only to obtain for gold a forced and constant circulation, that we ever require its quantity in currency to be limited. Yet the Committee can reason by analogy from gold to paper; and complain of the free circulation of paper, as calling for an additional watch over its quantity. I do not hesitate to assert, on the contrary, that as circulation is the essence of currency; so it is also currency's only accurate test.—That far from the rapid circulation of Bank Notes having a possible tendency to affect their individual value, constant uninterrupted circulation is to them, as to every other currency, as it were the oscillation of the pendulum, which can alone secure to them, what the Committee without that would vainly seek in gold—standard accuracy.

It is then the very impossibility of strictly complying with the injunction, to make all payments immediately in gold, which gives to that injunction its best and only lasting effect. The specific payment is only enforced to secure to gold, what I have called its optional, as opposed to its specific character.



The Bank, indeed, might perhaps be able to comply with the injunction, as far as immediately respects themselves; because however large their concerns, these must bear a very small proportion to the whole concerns of the universe. But the injunction, if just, should be surely general to all of us; and if it will not bear a strict construction generally, neither ought it partially to have such a construction.

I have here supposed that the Bank were in some degree expressly committed to pay in gold; but I must always deny that this is truly the case as applicable to them. *Guinea* notes even, would not be guineas. They have always been understood in the juster, and more enlarged view of guinea values. Would the Courts have considered them otherwise had the case been reversed so as to have been favourable to the Bank? Suppose, for instance, that a Country Bank should now engage to pay in Bank of England notes, even more formally than the Bank ever engaged to pay in guineas; and suppose the Bank of

England was afterwards to fail. Would not any court of justice in this case construe the engagement to refer to the former value of Bank of England notes; wholly overlooking the now valueless specific article? Reversing this case will bring it exactly to the case in point. Suppose the Bank of England, without having failed, to be leaving off business, and have discontinued its issues, till its notes were so reduced as to have become an object of purchase by the curious, at extravagant prices: would it now be tolerated that those, who had before been in the habit of currently taking guineas, perhaps, for those country notes, should now insist upon reverting to Bank of England Notes, as a specific undertaking. Yet this is the construction which Parliament is called upon to put on a much less formal engagement, of the Bank.

The true engagement of paper, and indeed the understood engagement of all currencies, is as I have said, to secure to their holders a certain degree of command over whatever commodities may happen to be at any time in the market. Gold, if gold is then in the market, will be necessarily included among the rest. Its specification, therefore, would seem at least unnecessary, as it could not enlarge, though by a strict construction, it might narrow the engagement—it only becomes an object, when gold is taken out of the natural market, by having a mint, distinct from its market, price. In practice we know that even when gold is specifically expressed, its undertaking is seldom construed to be specific. If it was, its default ought never to be compromised by substitutes.



Lord King, himself, to have been consistent, should have threatened his tenants only with criminal process: when he talks of distraining their goods and chattels, professedly with a view to obtain what he considers the value of gold, rather than even then gold itself; he surely recognizes a principle which ought to be subversive of his whole system; in that the engagement has always been susceptible of alternatives; or contemplated the value of what it happened to name, rather than the thing specifically.

The engagement of paper being thus simply to secure a value, and the basis of that security being, in paper professedly, but the credit of the party who issues it; its issues may certainly be as unlimimited as that credit will allow; but what good reason can be assigned that it ought to be otherwise? Why should not those issues extend to all possible credits, which may be susceptible of being discharged in any way? Why are we to suppose, that the credits owing for all the various articles of nature, need ever strictly confine themselves to the total value of any single one? or all be payable in gold?

The value of other articles, which may at any time be credited to us by an actual deposit of gold, is indeed usefully, though by no means necessarily, restricted to the value of the gold itself; because by this means we make its deposit serve a double purpose; its article, instead of being idly wasted, serving as an intermediate collateral security, till it becomes an ultimate credit. Still this ultimate credit is the object even of gold payments; and to suppose the creditor driven to rely on their real value, is to suppose that in their primary object their engagement has wholly failed. Tokens fully prove, that if we will dispense with the security of a full deposit, there is no occasion for any thing like so strict a limit, as its own value, to the credits, which may be expressed even by gold itself. Our current silver is well known to sustain a credit considerably beyond its own value in silver, without having any distinct ostensible basis for that credit; as it does not profess to be a token, for which any one is responsible. Yet it perfectly sustains that credit;



for I cannot believe with the author of the Question Restated, that it has any share in occasioning the present difficulty with respect to gold. It would then be idle in the extreme to cramp the credit of paper, within the same narrow limits, in which we should be obliged to confine gold deposits; even though paper should expressly refer to gold; since paper, if construed gold itself, as long as it makes no actual deposit, would at best be no more than a gold token.—Making no deposit of the article, it can partake nothing of the sole ground there is for attending to the general quantity of that article, in real payments;—that is, its value, not as a credit, but as a pledged security.

Suppose, for instance, that half the gold in the world was to be coined this moment into tokens; it cannot surely be contended, that to restrict those tokens to exactly the additional value of the other half the gold, would at all really give them that other half as a security. Yet for what other purpose could it be necessary? Paper construed, gold is exactly so circumstanced. It is a promise to pay a certain value; and since no deposit is affected to be made, we have nothing of the security of gold, however strictly we may construe the promise to mean it; whereas a more liberal construction would so far have increased the security of the promise, that it would at least have given its execution an increased facility.

This appears to me to afford us the true key, to almost all our present errors on the subject of money; which arise from our habitually confiding in its credit, till we forget that this is essentially a distinct consideration from its pledged security. We do not sufficiently distinguish when we talk of real money payments; how seldom, if ever, their real values are taken as an actual payment; how much rather they are received, as pledges for a still subsisting credit, or only as it were themselves in deposit.

With every deference to Mr. Thomas Smith, (to whom I feel it but due to acknowledge how much I am now sensible, that he had in many parts of my former work altogether anticipated me,) I still think his valuable theory of money would have been much improved by more fully distinguishing the age of money, or actual pledgment, as a perfectly intermediate stage between barter and credit.

In his chapter on Coins, when he supposes the precious metals to have been found by experience better representatives of value than other things; it would have been perhaps more accu-



rate to have distinguished, that the preference given by mankind to the precious metals as currencies, had never as yet been given them so much in the character of representatives of his unit or value, as in that of a collateral security, which was to accompany whatever might be the representative. Till now, indeed, we never have distinctly heard of gold being a better, or even perhaps so good a representative of abstract credit, as paper may be made; it had only been preferred, among other real articles, as having obvious advantages over most of them; where any real article was required to accompany a credit, and remain itself pledged as an intermediate deposit.

I believe the allusion is still to silver rather than gold, if it is strictly to any real object, when we make use of the term Pounds, in abstract reckonings; still admitting that we had referred to gold expressly; or supposing our term had been always guineas instead of pounds, I should equally insist, that this was only to make our real and abstract reckonings coincide in practice together; for that it is only in actual pawn that gold can communicate any of its advantages, or can call for any of its wanted restrictions to currency.

The question whether gold or paper, if paid in articles of ultimate consumption, is likely to be paid more accurately, can never be decided, at least against paper, by our anxiety to have paper, if paid intermediately, paid rather in gold than in any other real article; while we can at all assign as a reason, that gold, in being of all articles least ultimately specific, approaches nearest to represent the perfect indefiniteness of credit upon paper.

Barter, which is supposed by all writers to have, for a time, exclusively regulated the dealings of mankind, could not fail to have early suggested, as almost a species of itself, the taking an article in exchange, not immediately the article we might want; if we could feel confident in ourselves, that it would, by a second barter, procure that article. Here in fact was the first dawn of credit, though as yet hardly sensible to ourselves; for though we as yet placed no confidence in the person, we trusted for a part of what would have been his obligation, to whatever might happen to be the thing. At first, indeed, this confidence was probably confined to instances already prepared before hand, when I should not distinguish it from simple barter. But it acquired a higher character when we but credited our own judgment, in trusting to some articles, that they would currently procure us others. And here properly commences a new æra from mere barter—that of barter by pawn, or the age of money. The age of personal credit to the thing, to be afterwards distinguished from credit to the person alone.



There can be little doubt, that money at first confined itself to articles of what was supposed the first necessity; not because the value of the pledge, might not have been made up in any other commodity of real value; but because the object of the pledge was distinctly, to be wanted, rather than valued, by every one at that price.

In this view the Bullionists themselves seem to me to under-estimate the importance of their real value to money, when they call it the universal equivalent; for mere equivalence would not answer the purpose of commanding exchanges; money requires an universal craving besides. And hence it is, that real currencies, whatever has been their origin, have long since come to depend on no principle so essentially, as a general defect of quantity to answer the demand for them.

When an article was once taken without any view to be itself ultimately kept, this would naturally lead us to become indifferent to its intermediate custody; especially if it should be an article of difficult transport in itself: and hence perhaps arose, from cumbrous articles of real value, the first instances of credit to the person for the article; while we still trusted to the article for what it might ultimately effect. Credit, however, to the person, is not in any respect the mere representative of money, or credit to the thing. Money was an advance beyond savage barter, and abstract credit was a second advance in civilization beyond money; as will be best proved from observing how money itself, from being at first perhaps almost wholly security, already in gold had subsided, almost as much as paper, into mere credit.

The first pawnings of articles were, as I have said, the taking certain articles for other articles, under the persuasion of their being a full security; but as long as we knew definitively for what article the security was taken, the pledge neither had nor merited the appellation of money. Money, however Mr. Huskisson would, perhaps, properly, restrict the present use of the term to cases of security mixed with credit, certainly dates its origin from the introduction of credit into dealings:—and was it to be restricted to



either simply, should belong rather to mere credits than to mere securities; but I never would dispute a mere term with any one.

What I have been saying may be easily explained; and will only restore uniformity to our system, by completing a climax; which I have before objected to Lord Liverpool for destroying.

When in my former work I quoted from his Lordship the following expression: "In very "rich countries, and especially in those where "an extensive commerce is carried on, gold is "the most proper metal of which this principal "measure of property, and this instrument of "commerce should be made. In such countries "gold will in practice become the principal "measure of property, and the instrument of "commerce, with the general consent of the "people, not only without the support of law, "but in spite of almost any law which can be "enacted to the contrary; for the principal pur-"chases and exchanges cannot there be made "with any convenience in coins of a less valua-"ble metal. In this your majesty's kingdom, "so great is its wealth, and so various and ex-"tensive is its commerce, that it is become in-"convenient to carry on many of the principal

" branches of trade, or to make great payments " even in gold, the most precious of the metals. " On this account a very extensive paper cur- " rency has been called to its aid: but this paper " can never be considered as coin, for it has no " value in itself. It only obtains its value with " reference to that of the metals which it repre- " sents."—*Letter to the King*, p. 178.

I there objected to the anti-climax, of supposing that a progression, which had necessarily carried us on from articles of less real value, to articles of higher value, on account of that value only; should have ended in conducting us to an article of no real value whatever. But if I am right, there is no such inconsistency in the facts themselves. The difficulty vanishes at once, and the system becomes perfect, if it should be found that Lord Liverpool's higher values, are higher relative values only; and that the progress has been regularly through less real values, till we arrived at paper.

The pawning highly useful articles as a mere credit for other articles, though it might seem necessary at the first introduction of money, could not fail to be early found productive of real inconveniences. To command a ready exchange with all other articles, we naturally at first selected



the articles most universally in request for themselves; but this very request for themselves, was liable to interfere with the freedom of their circulation, and to withdraw them from currency. And it was still more felt; in that it occasioned them to be very inconveniently spared from their real uses, while they were thus detained for the mere relative purpose of money. Hence, as credit grew in strength, security became gradually dispensed with, in its favour, even in money. And for the purpose of mere pledgment, the more useful articles, gave way to the less useful, till we thus arrived, as I should say, in due succession, from iron, through gold, to mere credit upon paper.

When it was before quoted against me to have said, that upon my system the gold had nothing to do with the guinea; I flatter myself I could not be misunderstood to mean, that the guinea had any other ostensible basis for its credit, than its gold. I merely meant to point out, how in gold, as in other currencies, its credit, though founded upon, is yet wholly a distinct consideration from its pledged security. And how far, as it appears to me, its credit, if it was to be measured only by its security, would be found excessive. My own opinion remains unaltered, that if the Bank upon which gold depends for its credit, were equally open to scrutiny with the Bank of England, it would be found to be infinitely more over drawn.

The basis of gold, instead of being a personal confidence in any one, who is ostensibly engaged, to watch and preserve its value, is simply a blind confidence, which every day's experience serves only more and more to refute, viz. that gold will necessarily preserve its own value, by never being produced in greater quantities than what its consumption in manufactures, independently of any call for currency, would readily absorb. This is the necessary basis of all our confidence in gold, as far as respects its intrinsic value: for what is its resting upon any such value, unless it is meant to imply, that all the gold in circulation, would be absorbed at its present value for manufactures, if it was to be discontinued in circulation as money?

Such a position, in the absence of all experimental proof, has not the slightest probability even, to support it. For if gold is now almost wholly withdrawn from manufactures, by its greater demand for currency, how is it possible to suppose, that the demand for gold would be the same, when its principal customer was taken



away? Even any urgency there at present seems for gold in manufactures, may rather be traced to reflection from its more general use in currency.—Or, manufactures would hardly submit to its loitering long idly, in what would be then but a secondary employ.

The fact I have no doubt was, as I have already suggested, that our first currencies were no where gold and silver; that they must always have been originally selected from articles, which if they failed of commanding an option over other articles, would have been obviously themselves an object of general desire, to be specifically kept. Such were the axes and bars of iron, which we found in use by the savages on the coast of Africa: in which the currency, but doubtfully if at all, divided the attention from the specific thing. But a utility, which induced the article to be itself kept, was soon found to be ill calculated for giving it currency. And thus we find that all civilized countries have long since agreed to substitute gold—an article among the first of whose values, I should decidedly class, that of being perfectly to be spared for the purpose.

I am far from denying that it has other great advantages. As an article which will keep without injury for any length of time; which can be conveniently housed, and easily transported; which is infinitely divisible; and from its weight, purity, &c. is little liable to be counterfeited; gold has a decided superiority over most other articles, as affording us the best subject for a pledge or token: but these advantages it has only relatively for this purpose; and most of them it only shares in common with paper. And I venture to assert, that if even any of these qualities were peculiar to itself, and eminently useful for any other purposes, they would so far embarrass, instead of assisting, its use as a currency.

Its not being to be had in sufficient quantity, even for this purpose, contributes greatly to its relative value with that view; because it forces gold to acquire and retain the character of a currency, by its being kept in constant circulation; which, but for defect of quanti y, its very supposed value, would effectually prevent. But, defect of quantity, however a relative merit in currencies, can never, in strictness, be termed real value. And, if I am right in what I have been saying; defect of whatever would be properly termed real value, must be added to defect of quantity; if we would fairly sum up all the relative values of gold.



I began with shewing, that a circulating medium, such as paper, which has no real value of its own, might as fully perform certain functions towards credits, as gold, which is supposed to have the greatest value. I flatter myself I further proved, that in certain cases, at least, paper would even perform the function of a mere circulating medium better. This of itself would surely shew, that the two mediums are of distinct species; and are neither the mere representative of the other: and this ought to go far towards obviating the prejudice, that paper need be at all strictly confined to the same quantity with gold.

As I have said; nothing is gained by restricting paper to any one species of real value, unless that real value, besides being promised, is actually placed in deposit; and I have already suggested many objections to the having our abstract credits so needlessly cramped. Every individual can faithfully make many more payments than he could make at once in gold. His promises need surely only be limited by his powers of paying. If indeed we refer to the whole mass of go d in existence; even this, is perhaps as much below the fair limit to general payments, as it would evidently be too high for any individual; in short it is no fair limit any where.

To me it appears the same absurdity, to hold, that no more values ought to be credited in terms of gold, than could be actually paid by the parties at once, in the very article; that it would be to hold, that an appraiser, (who is I believe by law bound to take the article he values at his own appraisement,) should never be allowed to name a sum, beyond the gold he might happen to have about him.

Gold itself, may perhaps be considered as an actual payment for the articles it purchases; but the mention of gold upon paper, can never be more than the mere appraisement of those articles.

I am not in the least an advocate for giving unlimited credits. Shew me that the Bank have improvidently trusted, and I shall not hesitate to admit, that there is so far ground for distrusting them; but let me never be told that I ought to distrust the Bank, only from the circumstance of their not having their whole property, such as it is, appraised by themselves in gold, actually vested, and ready to produce, in the specific article.

Perhaps even the present capital of the Bank of England, if it was so realised in gold, would be sufficiently large to exemplify some of the fatal consequences of such a system; in that so many



payments would become specific, that few would continue to be optional.—We might then have gold for every thing, and have lost all inclination to part with any thing for gold—gold always must be very much circumscribed in actual payments, below the number of credits it might fairly express as a token.—Because as a token it might refer to all other values, as well as its own, for a security.

Gold, as referred to on its own tokens, and still more especially on paper, is only employed as the common denominator of values. And hence the requisition of the Bullionists receives its readiest and truest answer; in that a promise to pay all demands in gold, if ever so distinctly expressed, would be at best, but as it were a promise to reduce all fractions to one common denomination—where the term *all*, must necessarily be construed to mean *any*, to render the engagement, even theoretically, possible.

I have more than once expressed my own conviction, that gold itself, when professing to circulate as a coin, is still in reality but a token. While its denomination, as at present, is even below the seeming market value of its commodity, this may very naturally be disputed me. Still it is strictly true, if I am right, that the present market price of gold has so far reference, rather to the currency; that it very far exceeds what would, independently of currency, have ever been the market price of the mere commodity.

If I could see a really importunate demand for gold, in manufactures, for the sake of those manufactures only, withdrawing gold from currency; I should not then dispute the term *real value;* or canvass the inaccuracy of calling those qualities of gold, real values in currency, which by the hypothesis, are wholly out of place there; and which, are not valued *there* for themselves, but only, in that some such other values, are essentially wanted elsewhere. But the fact is evidently otherwise, and when I see that gold in circulation has no tendency whatever towards the jeweller; that, if I may be allowed the expression, it would obviously rather continue in circulation as currency, than quit currency for manufactures; (for I cannot think the date occurrences have even appeared an exception;) I must insist, that, so far, its relative values have usurped over its real values; and that it is trading on its credit only.

But even supposing that gold only circulated by its real value; that is, supposing, that gold in circulation tended to some express chasm in ma-



nufactures, which it was required to fill up; still we might surely collect from hence, that instead of Bank Notes necessarily representing real currencies, in circulation; real currencies in circulation so far represent Bank Notes;—that it is in the character of an outstanding demand or debt, that gold, even as a currency, alone circulates.

This is the true fact: we may talk of real currencies measuring debts or credits, as we may talk of real substances measuring spaces; but the reality, in both cases, however it may amuse, and serve to assist the senses in the process, must ultimately disappear; since debts will only bear a real comparison with other debts, and abstract spaces, only with other spaces.—If the eye can but confide in itself to carry accurately the space, it will be better to dispense with any real measure, subject, as all real measures must be, to contraction or dilatation: and so if you can fully trust the person for payment; by trusting altogether to him, you only avoid the risk there is at least, of fluctuation in gold.

Gold has to be watched, that while loitering in circulation, the chasm in manufactures, which has been supposed to constitute its real value, is not otherwise filled up, by fresh production of gold from the mines. But this can in no way apply to paper, which, from the very circumstance of having no such distinct objects, has nothing of this kind to be watched; whose issuer may safely be trusted to withdraw the Note from circulation the moment he has once paid its ostensible demand.

It is not then merely, that it would be difficult in practice, to compel all payments to be made in gold. If it would be practically easy, it would be utterly subversive of the very principle of gold payments in theory: which, as I have frequently had occasion to repeat, when they are nominally enforced, are really intended but to oblige the substitution of all other values for gold.

Gold is only required to be limited in its quantity, for the very purpose, that it may not become an ultimate payment; and paper needs no such limitation, because it never can profess to become so: it has always, at least, to return to the person who issued it.

The delusive claims of gold would be instantly detected, if it could be put to the test, for only a single day, of having all the demands of nature answered specifically in itself.

I know that this will be objected to as an extreme case; but the objection to extreme cases, is perhaps always more convenient to weak reasoners, than just in itself. It is surely but fair,



to put it to those who would insist upon having all paper credits at once convertible into gold alone; whether those golden credits, or guineas they now have, they would be contented to keep ultimately in gold? I would put it seriously to the reflection of every one; whether, when guineas have been seen to suffer depreciation, from what has been called excess, the real cause of the depreciation, has not solely consisted in this very quality, which the Committee anxiously seek to communicate to paper: viz. that as a representative of other values, it was limited to that of gold alone?

What other objection could there be, to there existing as many guineas as there are guinea values in the world; except, that as the demands for those values are necessarily of infinite variety in their kind, including the demand for gold among the rest; there would be a danger, indeed upon that supposition a certainty, that no alternative would be allowed by the debtor; but that all would, as the readiest mode, be paid definitively in gold only? No objection of the same kind could arise with respect to Notes, though every demand outstanding in nature were expressed at its value in gold upon them; unless we wantonly induce the difficulty by adopting the proposition of the Committee, to construe all gold values into the meaning gold specifically.

In practice, Bank Notes are fully understood to define a value only, leaving an indefinite latitude as to mode of payment: and if there was not in practice ensured to guineas, the same latitude of meaning ultimately any thing rather than simply gold; who would not, while paper preserves its indefiniteness, prefer the Guinea Note of good security, to the golden guinea? Let a guinea cease to be a Guinea Note; let it for one moment, return into its mere gold; and let us see if its warmest advocates will preserve their present estimation of its value.

In saying this, I by no means seek to disparage the utility of gold, as a medium of currency: on the contrary my opinion distinctly is, that it will always be salutary, if not generally speaking necessary, to require some real pledgment to accompany credits; as a check upon that natural exuberance, to which their very merits expose them. Still I must contend, that, however serviceable in practice, any real pledgment mixed with a credit, involves a necessary imperfection of theory; as their objects, however closely allied, are essentially distinct, and therefore never perfectly amalgamate.

Of the confusion arising from this source, I



should myself want no further instance, than to find it objected by the Committee to a professed currency, that it can circulate with too great facility; as if circulation was not the first essential in the character of every currency.

I flatter myself I have sufficiently shewn, that if gold requires to be limited in its quantity in circulation; it is only for the very purpose of securing, that its circulation may be in no way impeded. And could I admit, that paper was ever liable to need the same kind of limitation, yet the being told that it circulated freely, would remove from my mind all doubt as to its possibly exceeding its just quantity.

Paper must necessarily be converted into some other article, before it can seem to have discharged its engagement. Gold, if gold has been taken as a currency, has been professedly intended to undergo the same change. The contract of gold is, however, so far defective in precision, as to this object, that its engagement would be apparently satisfied, though its possessor should be defrauded of the intention, by the article losing its convertibility. It is true, that, supposing gold and paper both to lose their convertibility together, gold will then have an evident advantage, in that its loss will be but partial, while that of paper will be total. For at least some proportion of the gold might be employed for other purposes by its owner. But what are those inaccuracies which the Committee would guard against in currencies, unless this very circumstance to which *real* currencies are only subject, of partial failure? Because gold is ultimately to depend on the quantity which might be thus otherwise conveniently absorbed; therefore its credit while in circulation requires us constantly to watch, how far its general mass is greater or less than that quantity.

Having mentioned absorption as the ultimate basis of all real currencies, this leads me to observe, that, what the Committee term the absorption by high prices, is but as it were the complement to this *other* absorption; and is therefore, like that, confined to *real* currencies only. For since the credit of such currencies is limited to the quantity which could be ultimately absorbed in actual consumption, it follows of course, that any augmentation of their quantity beyond this limit, must proportionably tend to their discredit: and this is, as it were negatively expressed, on the same side of the equation, by saying, that what would not be swallowed up directly by consumption, is swallowed up indi-





rectly by high prices;—or the augmented nominal values of other things. Bank Notes, however, if their credit is good, though there should be no other demand for them, have always the Bank to return to. They need then no absorption by high prices, for the simple reason, that they do not at any time depend on the principle of passive absorption; as they can compel being somehow paid.

The Bank could, in credits at least, more than repay the credits which have been advanced to it: and this, whatever may have been said, supposing those credits mutually good, is the very perfection of solvency.

Various in their kinds as those advances to the Bank have been, the parties themselves would be much incommoded if they were effectively to be paid in any other way;—if it were possible for them all to be paid at once in any definite commodity: but few as the credits in gold are, which are now extant in England, I very much doubt, if *their* Bank, tried by the same ultimate test, would be found equally solvent:—whether, if the circulation of gold could be effectually stopped, as currency; its contract as such, would be fulfilled, by even its present small quantity, being willingly taken up for consumption at its present price.

As long as currencies circulate freely, and never are in danger of resting in a place; it matters nothing what they are in themselves. This is evidenced by our silver currency at present in use; which passes as a coin, though it is known to be bad, and to have no one responsible for its errors; only because its demand is so evidently disproportioned to its quantity, that it is not likely to stop any where: and to put an opposite case; suppose it was known, that a Bank Note, which is somewhat disfigured, would yet be taken at the Bank; who would not, notwithstanding, give the preference to *another* note, which would circulate more freely every where?—Yet the Committee would insinuate, that the free circulation of notes can detract from their value.

The Bank would be certainly to blame, if, at any time, they were to issue more credits to others, than are safely due to themselves. But no Bank that ever did, or could, exist, could undertake to discount all the variety of bills, for every article; and pay at any moment in a single one. Admit the philosopher's stone to exist in the fullest plenitude of its fancied power; and when it had paid all demands, as the Committee would wish the Bank to pay them, in gold; it would have satisfied no single claimant. While credits are specifically defined upon paper, it is self-evident, that the number of currencies thus created, can in no case exceed the number of debts, they have to circulate; and it is equally obvious to reflection, that if we suppose any of these paper expressions to circulate freely, we necessarily imply a proportional defect in their original number. The Committee have then to shew, why, if an excess of good Notes could be supposed, they would not of necessity impede each other's circulation, instead of having the difficulty aggravated by an undue circulation of their own? But supposing this objection to be got over; the Committee would have still to shew, why a Bank Note, impeded in its circulation, instead of awaiting the absorption of high prices, is not at once presented for payment?



I shall now I know be reminded, that, however this reasoning might have applied before the Bank Restriction Bill, the Bank were in fact relieved from all necessity of payment, when they were exempted from paying otherwise than in their own Notes. Plausible as this argument may at first be thought, it proceeds upon an entire mistake of the Bank establishment—from supposing them to *borrow*, when in fact they only *lend*.

Could the Bank have been even suspected of being, upon the whole, a *debtor concern*; though then it would have been as absurd, as it would have been unfair, to insist upon their paying all they owed at once in gold; yet, then it might have been necessary to define that, at least, they should pay in other credits than their own. But when on the contrary, after a strict investigation, it was well ascertained, that the Bank was altogether a *creditor concern*; the law might fairly have gone further; and not only have exempted Notes, from being compulsorily paid in gold; but have expressly exempted them from being realized in *any* way.

The Bank had nothing ultimately to pay. And as long as this may continue to be the case, after fairly balancing their debts and credits together; the Bank at least cannot be benefited by an Act, which as far as respects them, merely says, that NOTHING need not be paid in *gold*.

The same principle has, I believe, often been recognised in private concerns: at least I think I have heard of merchants, who after calling their



creditors together, and shewing an ultimate solvency by their books, have had their paper absolved from all intermediate conversion. And certainly, if after such an investigation their fair credits exceeded their debts, there could be no absolute necessity for any other mode of conversion to their paper.

It is admitted that this is the case at present with the Bank of England; but what is more in point to the present discussion; it must necessarily be the case with all good paper. Paper expressly confines itself to definite credits. As far, therefore, as those credits are good in themselves, their paper expressions cannot, in the first instance at least, be excessive. But the very same reason proves, that paper expressions if not excessive in themselves, can never become so by circulation; because being definite, and, if good, balanced, they can only circulate till they meet and destroy each other. Good credits admit of no excess, because whatever is their number, their sum is always NOTHING.

The same reasoning does not indeed apply to what are called real currencies; because these, from not defining the particular credits to which they originally refer, are always liable to surpass as it were their object; still I contend that object is CREDIT; and that it is only from defect of credit, that even real currencies can ever become excessive.

The cases are indeed far from being in the least dissimilar, if we will only consider, what is that value which any commodity ever really loses by excess. Would an excessive guinea want any one real quality of gold? Reflection will convince us that all commodities have a credit distinct from what can be justly called their real values; and that no commodity is affected in any other value by excess, but simply in its optional command over others,—its *abstract credit*.

This distinction of the *credits* of commodities from their *values*, cannot be too much insisted upon. It is by their *credits*, and *not* by their values, that commodities circulate in currency; and to this I should have no hesitation to add, that it is, as their credits exceed their values, that they become peculiarly adapted to that purpose.

This ought to be borne in mind as the true basis of every money system, that whatever means we may employ to secure credit, CREDIT alone is always essentially our object. However conveniently the values of commodities may introduce themselves in practice, to remain in deposit



as a security to the credit of their articles; we ought never to forget, that the credit must have failed, before we can be driven to avail ourselves of the security; and that so far they must always remain essentially different things. Whatever the real value of the most precious commodity may be, that value must be wholly lost to actual use, and give place to a different consideration, viz. that of the credit of the article, as long as the article can circulate as a currency. So far then from every credit necessarily representing gold; I repeat with confidence, that not only professed currencies, such as gold, but all commodities whatever, in as far as they are said to rise and fall in value by excess, are wholly unaffected in any quality or value, which they can truly be said to possess as commodities—that they vary only in a distinct character, of which, however, all commodities in some degree partake,—the credit they have as currencies.

That gold and every real currency only circulates as it represents some credit, may at once be proved by considering what would be the effect of introducing a sixth guinea, where there were only five guinea debts to be circulated. Though in practice, the six guineas would divide the defect of a sixth credit between them, in principle one guinea would now have wholly lost its value; the loss however would correspond with no quality of the guineas themselves; but simply with that of the credit they profess to represent.

The term excess is indeed one of those words which is liable to deceive us, by always having a figurative, rather than perhaps ever a real use. Numeric excess is strictly the cause of nothing. To be as it were numerically excessive, is only what we predicate of things really defective in any way: and I shall conclude this chapter with submitting, whether this has not palpably misled the Committee, on the very subject before us; when they say, "If the addition were made by Notes "convertible into specie, this diminution of the "relative value of any given portion of the mass "would speedily bring back to the Bank which "issued the notes as much as was excessive."—*Bullion Report.*

This reasoning would have been unanswerable, but that unfortunately it has first deduced the sensible excess from the diminution of value, and cannot therefore properly attribute the diminution of value to have been caused by the excess. Would the Notes have been sensibly excessive if they had not *first* diminished in value? I must then have some other cause for their diminution



of value, than that of their mere excess. In currency, especially, this must always be the case. Excess can never be an original cause: it must always itself be caused by DISCREDIT.

## CONCLUSION.

FROM what has been said it may be easily collected, that I do, as the Edinburgh Reviewers impute to me in common with others, charge the whole separation, which has lately taken place between gold and paper, to have originated in the gold only. Except for our respective prejudices, I cannot I own see why, if the change has evidently taken place between them, its magnitude only, should rather affix it to the one side than the other. My reason for referring it wholly to the gold, is one which the Bullionists at least should not dispute; since it is simply, that of the two, I consider gold alone, to have any such value as might be capable of varying.

To me I own it is wholly inconceivable, how a thing can vary in relative value, which has no real value;—how a mere relative existence, which has no real basis that could have continued, can vary.

I am still more at a loss to understand what is meant by "our separating ourselves from the rest of the commercial world in relation to our measure of value, and resorting to a standard, which no foreign nations could acknowledge." Is it to propose any new standard, to endeavour to analyse what is the universal standard which exists?

Whatever standards the world employs, we should, but for the Bullionists, have mutually understood each other; although some might have called that a rise of gold, which others would have called a fall of paper. It is the Bullionists only, who introduce a reference to standards, by insisting upon an appeal from the received estimation of paper, to the guinea.

The guinea, I grant, is not altogether a new standard for Bank Paper; but I do contend, that any standard must be novel in its operation, which is forcibly to interfere with the market estimation of whatever may profess to be money. That market estimation having been hitherto, and properly, the standard for all!

I differ, indeed, in my idea of what is the standard all do employ, from the Edinburgh Reviewers: but I am not aware of any difference that would ensue, even between the Edinburgh Reviewers and myself, in settling with foreign nations any actual amount. While I admit that the guinea, or generally gold, has risen in value; though they should insist that only my paper has fallen; yet there can be no occasion for any new standard between us. I flatter myself I could still settle any account, as well as ever, with foreigners; I only hope I should not find greater difficulties with Lord King.



Values I *feel* I measure, independently of any specification as to kind.—I *feel* that I should be sorry to be compelled at the moment to specify definitively how I would be paid those credits which constitute the little property I have; and therefore I, at least, am content to continue them as professed credits only: nor can I believe, though I might be inclined to name gold at present, that the naming gold or any other real commodity, could, if the credits are good, do any thing but endanger their accuracy.

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