Sa fajie Rajahn 1829

PRACTICAL OBSERVATIONS

ON THE

REPORT

OF THE

BULLION-COMMITTEE.

By CHARLES BOSANQUET, Esq.

SECOND EDITION, CORRECTED,

WITH

A SUPPLEMENT.

LONDON:

PRINTED FOR J. M. RICHARDSON, 23, CORNHILL,
OPPOSITE THE ROYAL EXCHANGE.

1810.

PREFACE.

THAT my unaided and unsanctioned efforts to separate truth from error, in the Report of the Bullion-Committee, should be, in every instance, successful, is in no degree probable: I should, therefore, gladly have profited, on this occasion, by the observations of the public to correct the errors into which I may have fallen.

The rapid sale of the first edition of this work, and the urgent demand which, I understand, prevails for a second, deprive me, however, of opportunity to collect the public opinion: this second edition differs, therefore, from the first only in the correction of typographical errors, and in the omission or alteration of a few expressions liable to misconstruction, which, writing in the desultory form of notes, at both ends of the kingdom, and amidst varied occupations, escaped my notice in the manuscript. A note is added, to correct a trifling mis-statement respecting silver, in page 34; but it has no effect on the argument.

The only occurrence of any importance to the subject of my Observations, since they first went to the press, is the publication of Mr. Huskison's masterly explanation of the principles of the writers of the Report, on the theory of money and exchange, &c. in a pamphlet entitled, "The Question stated and examined." It bears so directly on the point under discussion, and is so generally read and referred to, that it might seem like fear or affectation to pass it unnoticed; I propose, therefore, to assign reasons, in a Supplement to this edition, why, though I dissent from Mr. Huskison's conclusions, I think it unnecessary publicly to investigate their accuracy.

Hampstead,
December 3, 1810.

PRACTICAL OBSERVATIONS,

&c. &c. &c.

"REASONING on things by figures is the way," says Sir William Davenant, "to come to sure conclusions."—To reason in this mode, exclusively, is the object of the present work.—The things to be reasoned upon are the opinions of the Bullion-Committee; and the figures to be employed are chiefly those contained in the Appendix to its Report. Abstract reasoning is foreign to my purpose; my observations will be founded wholly on facts, and these will be introduced with such details only as are necessary to render their application intelligible to those who have not the Report, with its Appendix, immediately before them.

In the early part of 1809, the foreign exchanges experienced a rapid and unusual depression; at the same time, the price of gold-bullion rose in an equal degree,—and the variation, when at the highest, in October and November, amounted to nearly 20 per cent.

The public attention was drawn to this subject by a pamphlet, published late in 1809, (the substance of which had previously appeared in the Morning Chronicle,) entitled, "The high Price of Bullion a Proof of the Depreciation of Bank-Notes." This pamphlet, by Mr. Ricardo, is wholly theoretical, and, so far, unsatisfactory;—because the theories are not brought to the test of experiment. Other publications followed, on the same subject, but I particularly allude to Mr. Ricardo's work, not only as having been the immediate cause of the inquiry which has since taken place, under the authority of the house of commons, but as a syllabus of the Report which has been presented by the Committee: and I refer, directly, also to a pamphlet published by Mr. Mushett, of the Mint, because the tables annexed to it are essentially useful to the inquiry, and are not found, at least not in so convenient a shape, in the Appendix to the Report.

At the commencement of the last session of Parliament, a select Committee of the House of Commons was appointed to "Inquire into the cause of the high price of bullion, and to take into consideration the state of the circulating medium, and of the exchanges between Great Britain and foreign parts." The Committee sat upwards of three months, and, at the latter end of the session, presented a Report, with a copious Appendix of evidence and documents, which supplies, in great measure, the deficiency complained of in Mr. Ricardo's work.

A rigid inquiry into the accuracy of opinions decisively pronounced by such high authority, on a subject of vital importance to the national interests, might, under any circumstances, be justified; but there is more than usual cause for inquiry in the present instance, because the opinions of the Committee are altogether at variance with those of the persons selected for examination, and who must be presumed to have been, at least in the judgement of the Committee, most conversant with the subjects brought before them; there are, therefore, two opposite opinions before Parliament, on the influence, for instance, of the greater or less amount of bank-notes in circulation, on the course of exchange, and the price of bullion;

the one theoretical, forming the substance of the Report, the other practical, and pervading the Appendix.

Under these circumstances, what opinion shall the public adopt?—what course is Parliament to hold? "When a theorem is proposed to a mathematician, the first thing he does with it," says Paley, "is to try it on a simple case; if it produce a false result he is sure there must be some error in the demonstration."—The public must proceed in this way with the Report, and submit its theories to the test of fact.

The question referred to the consideration of the Committee, viz. the cause of the high price of bullion, meets no direct answer in the Report;—but the Committee has offered a variety of opinions, and laid down several axioms, (the truth of which I am presently to ascertain,) from which they deduce the inference, that the present high price of bullion and low rates of exchange are caused by an excess in the amount, and consequent depreciation in the value, of bank-notes. The nature of the argument, on which this opinion is founded, cannot be more concisely or satisfactorily stated than by direct reference to the passages in the Report, and the corresponding passages in the other publications I have named, applicable to this part of the subject. This notion was first suggested by Mr. Ricardo, who states, "That Parliament, by restricting the Bank from paying in specie, have enabled the conductors of that concern to increase or decrease, at pleasure, the quantity and amount of their notes. (1st Ed. p. 23.) Mr. Mushett says, "There can now exist no possible obstacle to the increase of their notes but what their own prudence suggests." (p. 41.) And the Committee state, expressly, that "The suspension of cash-payments has had the effect of committing into the hands of the Directors of the Bank of England, to be exercised by their sole discretion, the important charge of supplying the country with that quantity of circulating medium, which is exactly proportioned to the wants and occasions of the public." (Rep. p. 24.)

In the exercise of this power the Bank, it is assumed, has not been sufficiently guarded; and the consequence is, according to Mr. Ricardo, "That the paper-currency of this country has long been, and now is, (Dec. 1, 1809,) at a considerable discount, proceeding from a superabundance of its quantity." Mr. Mushett says: "Since the Bank-Restriction-Bill took place it has been generally supposed, that the excessive quantity of bank-notes in circulation has caused a considerable depreciation in their value:" (p. 40.) and the Committee has formed an opinion "that there is, at present, an excess in the present circulation of this country;" and "that the excess is to be ascribed to the want of a sufficient check and controul in the issues of paper from the Bank of England." (p. 30.)

And as these writers agree in the fact of excess, or superabundance, of the paper-currency of this country, so do they also concur in the sign of its existence: "The sign of this excess and depreciation has been a permanently unfavourable exchange," says Mr. Mushett. "The exchange," in the opinion of Mr. Ricardo, "will form a tolerably accurate criterion, by which we may judge of the debasement of the currency, proceeding either from a clipped coinage or a depreciated paper-money; because, whilst paper can be exchanged for undebased coin, the exchange can never be more above, or more below, par than the expenses of transporting the precious metals:" (p. 18.) and the Committee report to the house their "most clear opinion, that so long as the suspension of cash-payments is permitted to subsist, the price of Gold Bullion, and the general course of exchange with foreign countries, *taken for any considerable period of time*, form the best general criterion from which any inference can be drawn, as to the sufficiency or excess of paper-currency in circulation," (Rep. page 21,) and this opinion appears to be founded on the principle, which the Committee assumes to be indisputable, " that the difference of exchange, resulting from the state of trade and payments between two countries, is limited by the expense of conveying and insuring the precious metals from one country to the other." (p. 11)

On these points there seems no difference whatever in the three Treatises; the coincidence of opinion, and even of expression, is as close as possible, and the Committee appears to speak the common sentiment of those who consider the paper-currency to be excessive, when they sum up their previously-expressed opinions in these words: "that there is at present an excess in the paper-circulation of this country, of which the most unequivocal symptom is the very high price of Bullion, and, next to that, the low state of the continental exchanges: that this excess is to be ascribed to the want of a sufficient check and controul on the issues of the paper of the Bank of England, and originally to the suspension of cash-payments, which removed the natural and true controul." (page 30.)

My purpose is to ascertain the sufficiency of the grounds on which these opinions are founded,—the truth in *point of fact* of the several propositions laid down by the Committee.

1st. That the variations of the exchange with foreign countries can never, for any considerable time, exceed the expense of transporting and insuring the precious metals from one country to the other.

2d. That the price of Gold Bullion can never exceed the mint-price, unless the currency, in which it is paid, is depreciated below the value of gold.

3d. That, so far as any inference is to be drawn from Custom-House returns of exports and imports, the state of the exchanges ought to be peculiarly favourable.

4th. That the Bank, during the restriction, possesses exclusively the power of limiting the circulation of bank-notes.

5th. That the circulation of country bank-notes depends upon, and is proportionate to, the issues from the Bank.

Lastly. That the paper-currency is now excessive, and depreciated in comparison with gold, and that the high price of Bullion and low rates of exchange are the consequences as well as the sign of such depreciation.

Before I attempt to investigate the truth of these propositions, by reference to the documents with which the Report has furnished me, it may be convenient to ascertain what, on a full admission of all the arguments and reasonings of the Committee, is the extent of the evil they point out, what the present state of the national currency, as resulting from the criterion established in the Report.

There is annexed to Mr. Mushett's pamphlet a table, shewing, 1st, the rate of exchange with Hambro' and Paris, for 50 years past, and how much it has been, in each instance, above or below par.

2d. The price of gold in London, and a comparison of this price with the English standard, or mint price.

3d. The amount of bank-notes in circulation, and the rate of their assumed depreciation, by a comparison with the price of gold.

On reference to these tables it appears that, for about two years antecedently to the suspension of cash-payments, the exchange had been, in some degree, unfavourable to England; that, at the immediate period of the suspension, and for two years and a half succeeding that measure, from Nov. 1796 to July 1799, the exchange was very greatly in favour of England, and gold at the mint-price. That, between the end of 1799 and 1802, the exchange was against London and the price of gold considerably above the mint-price. That, from the end of 1802 to the end of 1808, the exchanges were for six years considerably in favour of Great Britain, and the price of gold stationary, at 2¾ per cent. above the mint price.* Subsequently to the end of 1808 the exchanges have fallen, the price of gold has risen as before stated, and these circumstances have led to the investigation of the Committee.

It results from this reference, that, admitting the criterion established by the Report, as the test of an excess of paper, the grievance complained of is of recent date, that it had no existence for six years previously to 1809, and that the circulation of bank-notes during this period did not therefore exceed the natural wants of the public and was not excessive. This inference appears undeniable. I do not mean to infer that 17 or 18 millions of bank-notes then in circulation may not be too much, under other circumstances; but I conclude, that Mr. Ricardo's opinion, that the paper-currency *had long been excessive*, when he wrote in 1809, was incorrect, and that Mr. Mushett had not

* It may be said, that even then the price of gold was above the mint-price; but it appears by the questions of the Committee and Mr. Goldsmid's evidence that the supply of gold was very small, and the price of £4 per oz. was fixed by the Bank of England, whence "the demand exceeded all competition."

referred to his tables when he stated that the sign of this excess has been a permanently unfavourable exchange.

It results equally from this theory, that during the year 1809, and subsequently, the circulation of paper has been excessive, because both the exchanges and price of bullion indicate such excess. During a part of this period, from July to Nov. 1809, the loss on the exchange amounted to nearly 20 per cent. We learn, however, from the Report, that, in the spring of 1810, the exchanges experienced a gradual improvement, that on Hamburgh rose from 28, the lowest rate, to 31, that on Amsterdam from 30 to 33: 5, that on Paris from 19: 6 to 21: 11. "The exchange on Hamburgh appearing (as stated in the Report) to be 9 per cent. that on Amsterdam 7 per cent. and that on Paris 14 per cent. against this country."—These calculations do not exactly agree with those of Mr. Mushett; admitting, however, the correctness of the statement by the Committee, a small proportion only of the loss thus experienced on the exchanges with the continent is to be ascribed, according to the opinion of the Committee, to the depreciation of our currency.

It is a principle laid down by the Committee, and which they consider to have been long settled and understood, "That the difference of exchange resulting from the state of trade and payments between two countries is limited by the expense of conveying and insuring the precious metals from one country to the other." It will be equally admitted that, in the event of an unfavourable balance of payments, the depression of the exchange must necessarily attain this limit, before the balance can be adjusted by the exportation of gold.

The Committee endeavoured to ascertain the extent of this limit, that is the expense of sending bullion abroad, under present circumstances, and they come to the conclusion. "that this expense in the last half of the last year (1809) did not exceed 7 per cent.—and they observe that an expense to this extent does not afford an adequate explanation of a fall in the exchanges so great as from 16 to 20 per cent. below par. "The increased cost," they add, "of such remittance would explain, at those moments when the risk was greatest, a fall of something more than 7 per cent. in the exchange with Hamburgh and Holland, and a fall still greater perhaps in the exchange with Paris; but the rest of the fall, which has actually taken place, remains to be explained in some other manner."

The expense of sending gold abroad was in no degree less in the spring of 1810 than in the autumn of 1809; and it follows, therefore, that, according to the statements of the committee, the loss on the Dutch exchange, in the months of March and April last, was exactly equal to the expense of sending gold as a remittance; on that on Hambrugh 2 per cent. greater; and that, on the exchange with Paris, it was undefined, because the expense of sending gold to Paris was not ascertained. According to Mr. Mushett's calculations of the par between London and Paris, the loss on the French exchange was 2 per cent. more than the expense of sending gold to Holland:— As this was the state of things for some months prior to the date of the Report, and at the period when it was presented, it will, perhaps, with some, be a subject of regret that the passage referring to the extreme of the lowest depression of the exchange was not expunged, as the event had proved it to be one of those temporary effects which the Committee had previously determined to disregard.

Whether, however, the difference, which remains to be accounted for in some other manner be 2 per cent. or 11 per cent. it is not necessary to travel out of the Report to assign a cause for it, without recurring to depreciation :—" Referring to the evidence of a continental merchant, on whose opinion the Committee appears to place much reliance, they state :—" That political events, operating upon the state of trade, may often have contributed as well to the rise as to the fall of the exchange; and, in particular, that the first remarkable *depression, in* 1809, *is to be ascribed*, as has been stated in the evidence already quoted, *to commercial events*, arising out of the occupation of the north of Germany by the troops of the French Emperor; the evil has been, that the exchange, when fallen, has not had the full means of recovery, under the existing system :"—these means are explained to be, " the clandestine transmission of guineas, which improved it for the moment by serving as a remittance."

Thus, then, it appears, that, on a full admission of all the principles adopted by the Committee, and of their application to the present case, the foreign exchanges were, at the time when the Report was presented, and for three months prior thereto, about 2 per cent. below the natural limit of depression; that this excess was the emnant of a much greater depression, occasioned by political events in the preceding year, during a period in which the means of exporting English gold coin, at the mint-price, in payment of debts, were withheld.—When it is stated that, for 6 months since the date of the Report, the exchanges have continued at or about the same standard, or rather higher, and that at present the loss on the exchange is barely equal to the expense and risk of transporting gold, it will probably be thought that the question, as a practical question of national importance, is altogether at rest.—That there is no necessity, at least, for the adoption of hasty remedies, even though the correctness of the general reasoning of the Committee should, on full inquiry, be conceded. But I do not admit its correctness: I do not believe that the fall of the exchange and the encreased price of bullion indicate excess and consequent depreciation of our paper-currency; and I doubt it, because the premises, on which this opinion is founded, are unsound, and the conclusions contrary to experience.

The basis of the argument of the Committee, to the examination of which I now proceed, is that which I have shortly stated in page 8 as the first proposition, viz. "that the difference of exchange, resulting from the state of trade and payments between two countries is limited by the expense of conveying and insuring the precious metals from one country to the other; at least, that it cannot, for any considerable time, exceed that limit:" (Rep. p. 11.) therefore, all excess of depression on the exchange, beyond the expense of conveyance, is to be attributed to depreciation of our currency. This proposition is so fully admitted, and so broadly stated, in each of the publications to which I have alluded, that it is not even guarded by the condition, that the country, by which the balance of payments is due, shall possess bullion or specie sufficient to liquidate it; but, boldly as the principle is asserted, and strongly as reason appears to sanction it, I insist that it is not generally true, and that it is at variance with fact.

It is stated, in the Report, from the evidence before the Committee of 1797, that the average expense, at that time, of conveying specie from London to Hamburgh, was 3½ per cent. yet, on reference to the course of exchange with Hamburgh, in Mr. Mushett's tables, it appears that, from the beginning of 1797 to the middle of 1799, the exchange was continually in favour of Great Britain more than twice the expense of conveying gold;—and, for eighteen months of that time, 11 to 12 per cent. in our favour, or from 7 to

8 per cent. beyond such expense: nor does this profit appear to have occasioned any considerable importation of gold, which, during this period, rose to the mint-price, although, for several years before, it had, nominally at least, been below it.

In the years 1764 to 1768, prior to the recoinage, when the imperfect state of the coins occasioned gold to be 2 to 3 per cent. above the mint-price, the exchange with Paris was 8 to 9 per cent. against London,—at the same time the exchange with Hamburgh was, during the whole period, 2 to 6 per cent. in favour of London; here appears, then, a profit of 12 to 14 per cent. for the expense, in time of peace, of paying the debt to Paris with gold from Hamburgh, which must have exceeded the fact by at least 8 or 10 per cent. and it is worthy of remark, that the average exchange with Hamburgh, for the years 1766 and 1767, of 5 per cent. in favour of London, added to 2 per cent. the price of gold above the mint-price, constituted a premium of 7 per cent. on the importation of gold into England, or, deducting $1\frac{1}{2}$ per cent. for expenses in time of peace, a net profit of 5 per cent. yet the exchange was not rectified thereby. Again, in 1775, 6, and 7, after the recoinage, we find the exchange on Paris 5, 6, 7, and 8, per cent. against London in time of peace, when half the amount would have conveyed gold to Paris, and one-fourth have paid the debts of Paris at Amsterdam.— In the years 1781, 2, and 3, being years of war, the exchange was constantly from 7 to 9 per cent. in favour of Paris; and, during this period, gold was the common circulation of this country, and the Bank was compelled to provide it for the public at the mint-price.— It has been already shewn how little effect the precious metals produced towards equalising the exchange with Hamburgh, during the years 1797 and 1798; and another instance may be adduced in the years 1804 and 1805, when the Paris exchange varied from 7 to 9 per cent. in favour of London.

In every case here cited the fluctuations of the exchanges greatly exceeded the expense of conveying gold from one country to the other, and to a much greater degree in most of them than in the present instance; the circumstances of the times were, it will readily be admitted, more favourable to intercourse, on those occasions, than they now are, and the state of metallic circulation afforded facilities not now experienced here. Yet, under all these advantages, the principle assumed by the Committee was not operative, and cannot therefore be admitted as a solid foundation for the superstructure of excess and depreciation, attempted to be raised upon it.—If it be said that probably, on these several occasions, gold was proportionately dear on the spot to which the exchange was unfavourable, I admit the fact as probable, because I am without evidence respecting it; but, if the price of gold abroad enters necessarily into the calculation of the "natural limit" of depression of the exchange, then the course of foreign exchanges, rectified by the expense of sending gold abroad, does not form a just criterion of the adequacy or excess of our circulating medium.—

There appears also a defect in the application of the principle to the particular case under the consideration of the Committee.—

It is admitted in the Report "that the first remarkable depression of the exchange, in 1809, is to be ascribed to commercial events, arising out of the occupation of the north of Germany by the troops of the French emperor."—(p. 16.) If a depression equal to three times the cost of sending gold be admitted as the effect of any other cause than depreciation of currency, it can be considered as not overturning the principle of limitation, only by viewing the fall in question as an "occasional depression;"—

but, if taken as an occasional depression only, (as the event indeed proved,) how can it be brought forward as evidence of an excess of currency, the Committee having established "a considerable duration" as a necessary condition to render the course of exchange a just criterion?

The circumstances I have stated, respecting the exchanges on former occasions, were not perhaps brought under the notice of the Committee; but they had two facts prominently before them, bearing immediately upon the question, of which they have taken no notice.— Mr. Greffulhe offered this problem to the Committee: "During the depreciation of English currency on the continent of Europe, a premium was paid for it in America in hard dollars." The balance of payments may be against us with one country, and in our favour with another; and, if the exchange is regulated by this balance, it will exhibit corresponding appearances, particularly where those countries are remote. But, if the currency be depreciated below the value of gold, it is so *positively*, not relatively, and all exchanges must equally feel the influence of the depreciation.

The other tact I learn from the paper 65, in the Appendix to the Report; between January 1809 and May 1810, the Swedish exchange rose (against Sweden) 25 per cent. and was at that date 24 per cent. in favour of London.—What are the circumstances of Swedish currency? We collect them incidentally from the examination of Mr. ———— a continental merchant (p. 75)—"Have you ever known the exchange to fall to the extent of 12 to 15 per cent. in any part of Europe, in which it was computed in coin, containing a fixed quantity of gold or silver, or in paper, or bank-money, exchanged at a fixed agio either for such gold or silver, or for gold or silver bullion of definite amount."—Ans. "No, never; *except in countries where the export of their currency has been effectually prohibited, such as Sweden;* I do not recollect any other country where paper, resting upon the foundation of coin, the latter is effectually prohibited from being exported."—Q. How is that prohibition made effectual in Sweden? "By the bank not issuing specie to any amount, when the exchange is depreciated".—Sweden was greatly indebted to England, for goods sent thither for the supply of the continent and north of Europe.—Gold could not be exported, and therefore the premium on remittance by bills was great; this seems a very natural effect, and one which will not surprize any one; yet to account for an effect exactly similar, under similar circumstances, we are required to admit that our paper-currency is depreciated, whilst the Americans were giving a premium for it in hard dollars. It will be recollected that the question now agitated is not whether any inconvenience attends the substitution of paper for gold, as the medium of circulation, but whether that paper be now excessive in amount, and depreciated in value.—As the result of the facts I have adduced, I assume that from the state of the foreign exchanges no such inference can justly be drawn.*

* The terms favourable and unfavourable applied to the exchange are, perhaps, sufficiently understood, as indicating a corresponding balance of trade and payments; but a favourable exchange is frequently a very unfavourable circumstance, and *vice versâ*. A British merchant sent goods to Sweden for sale early in 1809; they were valued at 1000 rix dollars; the exchange being at four rix dollars per pound sterling, they would then have produced, by remittance, £250. They were actually sold for 1000 rix dollars in the beginning of 1810; and, remitted for at the exchange of five, produced £200. The funds for the bill were provided by a consignment of goods from Sweden; and England, therefore, received goods worth £200 in payment of the original export instead of £250, which it would have received had the exchange not become so favourable. In a more familiar instance, England benefits by an unfavourable exchange. When the Dutch had large sums in our funds, the dividends were remitted periodically, and a real or supposed demand for bills on Holland, at those periods, occasioned a fall on the exchange. Thirty-three shillings Flemish, for instance, were given in exchange for a pound sterling, instead of 34*s.* The exchange was, therefore, less in favour of London. Yet it is

The Committee considers, however, the price of gold as the most certain sign of excess and depreciation.

"An ounce of standard gold-bullion will not fetch more in our market than £3 : 17 : 10½, unless £3 : 17 : 10½ in our actual currency is equivalent to less than an ounce of gold;" yet gold-bullion does bear in London a higher price than this standard or mint-price; whence a depreciation of the paper is inferred, which Mr. Mushett estimates to have amounted, in September, 1809, to £13 : 7 : 0 per cent. Whilst sanctioning this old, and in the abstract incontrovertible, theory, and, as applying it to the present case, the Committee do not appear to have recollected, that, having admitted an adequate cause for the fall of the exchange, from commercial and political events, the increased price of gold-bullion to any extent, within the equivalent of the depression, is only a consequence; and the documents in the Appendix shew that the price of gold-bullion did not at any period of the depression of the exchange exceed the price which it was worth as a remittance, compared with its value in foreign markets. From the calculations furnished by Mr.

evident that on every 33 pigs of lead, blocks of tin, or ounces of gold, sent to Holland, to provide funds for payment of the dividends, one pig, block, or ounce, was saved to this country.

Greffulhe to the Committee, (Appendix 58,) it appears, that, in the spring of 1810, an ounce of gold, of English standard weight, was worth, at Hamburgh, £4 : 17 : 0 sterling, the price being 101, and the exchange 29*s.* At this time the extreme price of bullion, in London, was £4 : 12 : 0, or 5½ per cent. below the price at Hamburgh. At the same time the price of gold, at Paris, exceeded its value here by 8½ per cent. and, at Amsterdam, by 7 per cent. at the then current exchanges. The expense of conveyance to Holland being then about 7 per cent. gold would not then pay for importation, neither would it be exported, merely with a view to profit, though it would be exported, and was in fact exported, in preference to bills in abundance of instances, which might readily have been ascertained by the Committee. On reference to the paper, No. 60, in the Appendix to the Report, it appears, that, in June, July, August, and September, 1809, the price of gold, at Hamburgh, was 104½, and the exchange 28*s.* if at 101, and 29*s.* there was a profit on the export of gold from hence to Hamburgh of 5½ per cent. it follows that at 104½, and 28*s.* there was a profit of 12½; or, deducting the expenses of conveyance, that gold, if bought here at £4 : 12 : 0 per ounce, was a cheaper remittance by 5½ per cent. than a bill at the current exchange. This same document, No. 60, shews also, that within twelve months the price of gold at Hamburgh varied from 100½ to 104½, the exchange with Great Britain in both instances, and during the intervening period of eight or nine months, being at 28*s.* We find the price of gold continuing, in other instances, at 104, whilst the exchange rose from 28*s.* to 29*s.* 11*d.* even to 30*s.* 8*d.* variations of 4 or 5 per cent. in the cost of a remittance in gold, which remained nearly stationary in its price here during the whole period. These fluctuations seem to militate against the intimacy of connexion which the Committee assumes to exist between the course of exchange and the price of gold, in places where the currency is gold or convertible into it. And the facts stated, respecting the actual price of bullion in the foreign markets, satisfactorily meet the observations of the Committee, implying that they discover no advance of the price of gold in those markets analogous to that which has obtained here. Refering to Mr. Greffulhe's documents, No. 58, they observe, indeed, that it is important, "as it shews that "the actual prices of gold in the foreign markets are just so much lower than its market-price here as the difference of exchange amounts to." Mr. Greffulhe's observations on this paper convey a different impression: "One of the papers I have delivered in shews (he says) the foreign prices of gold reduced into sterling money at the present low rates of exchange, *and the excess above the market-price here may be considered as about equal to the charges of conveyance*," (page 3); nor is this excess of price at Hamburgh merely relative, and arising out of the exchange. It appears by the paper, 56, in the Appendix, that the prices of gold at Hamburgh have, in the two last years, risen considerably, as the following extract shews "highest and lowest pri-"ces of gold at Hamburgh, in the years 1806-7, and 1808-9.

		lowest.	highest.		lowest.	highest.
At Hamburgh,	1806,	98	103	1808,	102	106
	1807,	98¾	101½	1809,	101¾	104½"

The price of gold, at Hamburgh, was, therefore, between three and four per cent. higher, on the average of the years 1808 and 9, than in the two years which preceded them. I observe, also, that the fluctuations in the price of gold, at Hamburgh, where, as the Report informs us, "Silver is not only the measure of all exchangeable value, but is rendered an invariable (or unvarying) measure," have, within a period of two years, amounted to no less than eight per cent.

But, it will be said, gold at Hamburgh is a commodity; here it is the standard of value; and an ounce of gold cannot sell for more than an ounce of gold of equal quality, unless the medium of payment is of less value than an ounce of gold: and Mr. Mushett is of opinion, "that the price of gold can in reality, at no time, be above its mint-price, and that its being so at present in appearance is caused by the excessive quantity of bank-notes in circulation."

This is the strong hold of the theorists, and I shall not attack it otherwise than by fact.— The theory may, however, be correct, and its application erroneous.

In the Report of the Committee, I find this statement, page 4. "Upon referring, for a course of years, to the tables, which are published for the use of the merchants, such as Lloyd's List and Wettenhall's Course of Exchange, your Committee have found, that, from the middle of the year 1773, when the reformation of the coin took place, till about the middle of the year 1799, two years after the suspension of cash-payments by the Bank, the market-price of *standard gold in bars* remained steadily uniform at the price of £3 : 17 : 6, being, with the small allowance for loss by detention at the mint, equal to the mint-price of £3 : 17 : 10½, with the exception of one year, from May, 1783, to May, 1784, when it was occasionally at £3 : 18 : 0; during the same period, it is to be observed, the price of *Portugal gold coin* was occasionally as high as £4 : 2 : 0; and your Committee also observe, that it was stated to the Lord's Committee, in 1797, by Mr. Abraham Newland, that the Bank *had been frequently obliged to buy gold higher than the mint-price,* and, upon one occasion, gave as much for a small quantity, which their agent procured in Portugal, as £4 : 8 : 0. But your Committee find, that the price of standard gold, in bars, was never, for any length of time, materially above the mint-price during the whole period of twenty-four years, which elapsed from the reformation of the gold-coin to the suspension of the cash-payments at the Bank."

I submit the whole passage to my readers, that I may not risk misrepresenting its meaning, which I profess not to understand. The Committee cannot mean, that the value of standard gold in the market was only £3 : 17 : 10½, or £3 : 18 : 0, when the Portugal gold, from which it was made, was worth £4 : 2 : 0. To me it appears evident, that the sentence respecting Bank purchases, beginning "during the same period," and ending at "£4 : 8 : 0," was introduced after the Report was framed, and its operation on the statement not exactly perceived.

It appears also to have escaped the notice of the Committee, that, in 1795, the directors of the Bank stated to Mr. Pitt, that the price of gold was £4 : 3 : 0 and £4 : 4 : 0 per ounce; and that their guineas being to be purchased at £3 : 17 : 10½ pointed out clearly the ground of the fears of the Bank of a continued demand for them, (see Report of Lord's Committee anno 1797.)

The fair inference from the information gained from Mr. Newland, and from the Bank directors, seems to be this: that, although it appears, by the printed lists, that, during the whole period between the recoinage and suspension of cash-payments, standard gold never exceeded the mint-price more than the difference between £3 : 17 : 10½ and £3 : 18 : 0 per ounce, yet that, in fact, the foreign gold coin from which such standard gold was made did sell for £4 : 2 : 0 and £4 : 4 : 0. That the Bank was in the habit of paying these prices, and, on one occasion, paid £4 : 8 : 0, or 13 per cent. above the mint-price. During this period bank-notes were at once convertible into gold, and the coin was in the most perfect state.—The real question before us is, not what was the price of that gold which the

Bank was compelled to deliver to the public on demand at £3 : 17 : 10½, but what was the price at which gold could be elsewhere obtained? £4 : 3 : 0.—£4 : 4 : 0, say the Bank directors. Aye, £4 : 8 : 0, says Mr. Newland. An ounce of standard gold did then sell for more than an ounce of standard gold. This, says Mr. Mushet, is impossible.—"*I* do not say it is possible; I only say it is true."—

The Committee is not, however, quite so peremptory; they have discovered, that standard gold, in bullion, may be worth 5½ per cent. more than gold in British coin; because the one, being an exportable commodity, and the other not so, may be worth 5½ per cent. more to him who has occasion to send it abroad; and Mr. Goldsmid had told them the fact was so.—This admission is like the letting out of water; it is impossible to foresee where it will run or where it will stop.—Be it granted, that the rubbing of guineas deteriorates English gold in coin, as compared with gold in bars, 1 per cent. That the conscience of the exporter, and the value of a false oath, are correctly estimated by the Committee at 4½ per cent. (page 6,) which two circumstances account for the increased price of 3 or 4*s.* an ounce, which foreign gold bears over that produced from British coin. What occasions the difference in value?—the demand for exportation. May not this demand increase in its proportion to the supply of exportable gold; may not consciences grow more tender, as custom-house officers become more active?— The principle being admitted, that foreign gold has an extrinsic value beyond English gold, how can the Committee limit its operation? and say, "that the highest amount of the *depression of the coin** which can take place when the Bank pays in gold, is 5½ per cent. (page 6, 7.)" The statement is erroneous as a fact, for £4 : 3 : 0 or £4 : 4 : 0 per ounce, which the Bank paid for foreign gold in 1795, is, on average, an advance on the mint-price of 7¼ per cent. and the extreme case of £4 : 8 : 0 is an advance of 12 or 13 per cent. But, granted that the fact were as stated, English gold is not now to be obtained (none being issued) at the mint-price; who can then pretend to limit the value of gold as an exportable, or even as a consumable, commodity? Where is the point of contact between English and foreign gold, upon which the comparison of their respective values shall be established? If the demand for foreign gold was at any time very great, and the melting and exportation of guineas, howe-

* This is a very singular expression to denote a high market-price of bullion, and will point out to an attentive reader how extremely theoretical the arguments of the Report are.

ver abundant, by any means effectually prevented, foreign gold might double its price in English gold, and yet the intrinsic value of guineas remain undiminished. How far any circumstances, in our present situations, run parallel with this supposition will be seen hereafter.

The Committee hesitate, however, to admit either a scarcity of gold or an unusual demand for it, and, on these points, few direct facts are to be found in the Appendix. Mr. Goldsmid stated that his sales of gold in the 15 months preceeding his examination were greater than on an average of years; that large quantities had been purchased at the high price by individuals; that none, he believed, had been received within that period from the continent of Europe; and that gold has been of late sent to the Brazils, instead of coming from thence as formerly through Lisbon.

It appears, by the returns from the bullion-office at the Bank, Nos. 7 and 8, in the Appendix to the Report, that the total amount of gold Bullion imported and deposited in the bullion-office in 1809 amounted in value to only £520,225

That, during the same period, the quantity of gold delivered out of the bullion-office amounted in value to £805,568 of which only £592 was not exportable.

The amount of the importation is therefore such as, when compared with the amount of exports and imports, and that of the circulating medium, to justify the assumption of comparative scarcity; and the excess of delivery beyond the importation is sufficient evidence of unusual demand. The point of view in which these facts are important is that which places the amount of gold imported or delivered, in line of comparison with the amount of paper-currency, supposed to be depreciated on the evidence of the encreased price of bullion. The advance of 12 *s.* per oz. on the total quantity of gold delivered in one year, about 200,000 ounces, amounts to 120 or 130,000*l.*; and this is assumed as an unequivocal symptom of a depreciation of 12 or 13 per cent. on 30 or 40 millions of paper, the probable amount of our paper-currency.— Yet this account of gold, trifling as it is, exceeds, as Mr. Goldsmid states, the average sales of preceding years.

In confirmation of their opinion, that the price of gold has not been influenced by natural causes, the Committee observe, "that the rise in the market-price of silver in this country, *which has nearly corresponded to that of the* market-price of gold, cannot, in any degree, be ascribed to a scarcity of silver: the importations of silver have of late been unusually large."—This statement is unpardonably erroneous; for the fact which refutes it had drawn the attention of the Committee.

In Mr. Merle's evidence, I find it stated, that silver is about 5 pence per ounce above the coinage-price.

Question by the Committee.—That is about 9 per cent. is it not?—*Answer.*—I suppose thereabouts. *Question.*—How do you account for the circumstance of gold being 16 per cent. above its coinage-price, and silver only 9 per cent.—"I cannot answer that question." Mr. Merle says also, that he never recollects silver so low as the standard price; in fact it never has been so low since the days of King William.* A very low average, taken before the suspension, would fix the price of standard silver at *5s.* $3\frac{1}{2}$*d.* or three halfpence above the mint-price: deducting this amount from the increased price of *5d.* per oz. there remains an advance on the present occasion of $3\frac{1}{2}$*d.* per oz. or $5\frac{2}{7}$ per cent.—whilst the advance on gold is stated at 16 per

* This statement is not *literally* correct. Silver was as low as the mint-price, for a very short time, in 1799. A small quantity was sent to the mint by an individual, and an Act of Parliament was passed to prohibit its coinage, which recites the fact. The East-India Company paid, in that year, $3\frac{1}{4}$*d.* above the mint-price for standard silver, as appears by the document (No. 13 in the Appendix.) The average price of silver, as I have stated it, agrees with Lord Liverpool's information.

cent.—The rise on the market-price of silver has *not*, therefore, " nearly corresponded" with the rise in the market price of gold, and the ample supply, noticed by the Committee, has had the natural effect of restraining the price; and the fact adds strength to the opinion, that the price of gold has been augmented by its scarcity.

I will refer my reader to one fact more on this subject. The paper No. 1, in the Appendix, shews the amount of gold exported for several years past, so far as the Custom-House have knowledge of it.—The account stands thus:

Year ending first February

1805	1806	1807	1808	1809	1810
None	17,007	3,019	13,008	14,716	69,962 oz.

I have now submitted to my readers all the facts and figures contained in the Report and its Appendix, which appear to me to bear directly on the propositions respecting the exchanges and price of bullion, on which the Committee formed their opinion of the excess and depreciation of our paper-currency. It will not escape notice that, admitting their theoretical accuracy, they involve exceptions to the amount of 12 or 13 per cent. on the admission of the Committee, when applied to practice.

But the accuracy of the theory is one question, the correctness of its application is another, and on this point the public may reasonably entertain jealously, because the same theory, in the hands of the ablest men this country has known, has been once already erroneously applied, and, by such application, has subjected the nation to disappointment and inconvenience, under which we still labour, and to an unprofitable expense of nearly three millions sterling.—A theory brought forward by Mr. Locke, as counsel to the chancellor of the exchequer, and acted upon by Sir Issac Newton, as warden of the mint, might challenge the world for higher sanction.—Yet the recoinage of silver, in the reign of King William, directed by these great men, was made on erroneous principles and failed in its object. Mr. Locke assumed it as an incontrovertible principle that "an ounce of silver, whether in coin or in bullion, is and eternally will be of equal value to any other ounce of silver, under what stamp or denomination soever," and he inferred from thence that, whenever the silver coins (then grievously depreciated) were restored to their due weight, the price of silver bullion would fall to the mint-price.—At this time, silver was the common money of account, as gold is now; and Mr Locke seems to have considered that it was naturally or necessarily so.—Men of less powers but more practical information foretold to Mr Locke the evils which would follow from the unlimited adoption of his theory. Sir Richard Temple,* endeavoured, in vain, to point out the distinction between coin and bullion, and to convince Mr. Locke that the value of silver bullion was become greater than the standard or mint-price. He was not listened to; (he might perhaps have erred too much on the other side, which numbers were ready to do,) and the recoinage took place at the old standard of 5s. 2d. per ounce.—As the new money came out, it disappeared: between seven and eight millions were coined, yet little was found in circulation; and, within 17 years, Sir Issac Newton reported to the treasury, that, "should silver become a little scarcer, people would in a little time refuse to make payments in silver without a premium," † the standard being taken below

* See a tract in Lord Somers' collection, dated 1696, by Sir Richard Temple.

† Earl of Liverpool's letter to the king.—As Lord Liverpool could not obtain, from the public offices, any account of the expense of this recoinage, I refer those who take an interest in such subjects to an official statement of the public income and expenditure from the revolution to the quarter-day following the death of King William, preserved in Lord Somers' collection, vol. 12, whence it appears that the deficiency exclusive of the expense was £2,415,140.

the value of bullion, the coins were melted down as fast as they were issued. The expense of this recoinage was between £2,500,000 and £2,600,000, and it would probably cost as much more at present to remedy the defect. It will probably therefore be admitted as possible, that an incontrovertible theory may, even in the hands of the ablest men, be erroneously applied.

I will next call the attention of my readers to that part of the Report which relates to the balance of trade and payments: The Committee is of opinion, that the favourable balances of the two former years ought to render the exchanges in the present year peculiarly favourable; but, observing how entirely the present depression of the *exchange with Europe* is referred by *many* persons (being indeed all those who were examined) to the great excess of our imports above our exports, they called for an account of *the actual value* of those for the last five years: what they called for they received; but, by a most unaccountable omission, they have never referred to it, and appear to have formed their opinion upon documents altogether irrelevant to the subject before them.

In the body of the Report, pages 12 and 13, are two statements of exports and imports for five years preceding 1810; from the first of which it appears, that the balance of the *actual value* of exports and imports *to all parts of the world* in 1809 was £14,834,000: by the second, it is shewn that the balance in favour of Great Britain on its trade, with the *continent of Europe alone*, computed *in official value*, for the year 1809, was £14,170,758, to which latter statement the Committee adds this observation. "The balances with Europe alone, in favour of Great Britain, as exhibited in this imperfect statement, are not far from corresponding with the general and more accurate balances before given. *The favourable balance of* 1809, *with Europe alone, computed according to the actual value, would be much more considerable than the value of the same year in the former general statement*," *that is much more than* £14,834,000: we will suppose, in even numbers, 15 millions. Now this assertion involves an actual error of half its object, for it appears, by the papers 75 and 76 in the Appendix, being accounts of official and *real values* of exports and imports to the continent of Europe, that the amount of the *actual* value of exports in 1809 was £27,109,337

of the imports	19,821,601
leaving the balance in favour only	£7,287,736

If the average of the two years 1809 and 1810 were taken, the balance would be £6,200,000, being a difference on the two years of £8,600,000; or, on the single year to which the observation, though not the reasoning, of the Committee was confined, of £7,500,000, but this is not by any means the extent to which the impression conveyed by the observation of the Committee is erroneous.—There is an omission of greater importance than the error I have noticed.—These Custom-House documents are defective, the Committee observe, because they do not include any account of freight paid to foreigners, at this time peculiarly large, or of the sums received from them for the employment of British shipping. They leave out of consideration interest on capital on either side; the pecuniary transactions between the governments of Great Britain and Ireland;—contraband trade, and the imports and export of bullion; also the important articles of bills drawn on government for naval, military, and other foreign, expenses.

A Committee, appointed to inquire, might have been expected to endeavour at least to ascertain the extent and operation on the balance of these several items of exception; but they dismiss the subject with a regret, that there has been some difficulty and delay in executing an order for the account of the government bills. I have thought it right to be more inquisitive, and am enabled, from the documents in the Appendix, and where these are deficient fron accounts obtained from the public offices, to exhibit the following statement of the foreign expenses of government.

Amount of bills drawn on the Treasury, between Dec. 1808, and Dec. 1809, (Army Extraordinaries,) Appendix, 70, A 1 . . . £	4,162,190
Deduct bills drawn from the West Indies, Africa, and America . .	903,366
Amount affecting the European balance . . . . £	3,258,824
The specie and bullion exported by the paymasters-general amounted, in 1808 and 1809, to upwards of five millions, of which, in 1809, (Appendix, 79.)	1,540,000

In addition to these sums, and of the same nature, are bills drawn on the commissary-in-chief . £	328,767
On the Pay-Office, (ordinary of the army,) . .	1,793,778
On the Victualling-Office	897,095
On the Navy-Board . . .	672,820
On the Transport-Board .	295,705
On the Board of Ordnance	212,753
	4,200,918

The accounts I have obtained do not distinguish European from other services, admitting a deduction in equal proportion to that on the extraordinaries, which is ascertained, about . .	900,000	
Leaves the amount affecting the European balance		3,300,918
In estimating the neutral freight, I will suppose the amount paid by foreigners to British ships, in 1809, equal to that paid by Great Britain to neutrals for corn,* wine, and brandy, from France, and for the intercourse between Heligoland and the continent, and confine the deduction to the neutral freight in the Baltic trade alone. I have sufficient grounds for estimating this trade, in 1809, "at 200,000 tons and upwards, the rate of freight £20 per ton and two-thirds neutral," hence arises a debt of		2,600,000
		£10,699,732

* The importation of corn in six months exceeded 600,000 quarters

This sum exceeds by three millions the balance arising on British trade with the continent in 1809, supposing the whole amount of our exports to have been paid for within the year. This, it appears by the evidence, was not the fact. Nor can the deficiency have been made good (according to the idea of the Committee) by balances due from former years; for, by reference to the same documents, Nos. 75, 76, we learn that, in 1808, the balance in our favour was only five millions, subject to deductions of a like nature,* and that, in 1807, it was two millions against us, without reference to them, the real value of imports from the continent of Europe having

been	£ 17,442,755
and the value of exports, only . .	15,420,514
Balance against us,	£ 2,022,241

Nor does the preceding statement adequately represent the amount of our foreign payments. The pay of officers on foreign service and in garrisons is, for the most part, received by, and drawn from, their respective agents. The money transactions with Ireland are not noticed, the first feature of which is the loan of 3 millions, raised

* In 1808, the Treasury-bills for European services amounted to . . . . : . . . . 1½ millions, and the exportations of specie by the paymasters 3½ ditto. These two items alone absorbing the whole balance.

in this country for the service of that, subject to a deduction of about 2 millions for interest on former loans, &c.; neither is any deduction made for that proportion of our exports, which being the produce of foreign colonies in our possession belong to residents abroad, or, if sold in England, constitutes a debt to the Dane or Hollander. The interest due to foreigners, for money in our funds, is also left out of the account; and which, according to the latest computation I have seen, amounted to upwards of £500,000 per annum; but, taken as it stands, the result is, that from the estimated favourable balance of fifteen millions, as assumed by the Committee, are to be deducted, first, the error in point of fact, £ 7,500,000

and next, the account of the items of foreign service, &c. on the principles established in the Report . .	10,700,000
constituting a real difference affecting the argument respecting the course of exchange of . . . . . £	18,200,000

I need not solicit attention to the result of this inquiry into the accuracy of the opinion promulgated in the Report, viz. that the state of the exchanges ought, during the present year, to be peculiarly favourable, but I offer one observation to the serious consideration of the public.

The usual cause of variations in the foreign exchanges and price of bullion being the fluctuations in the balance of payments, due to or by Great Britain, the real object of the appointment of the Committee was to ascertain whether the same or any other cause operated in the instance referred to them. The chief object of investigation would naturally be, therefore, the actual state of trade and payments; and the reader of the Report presumes, that the facts stated, and the inferences drawn, are deduced from every procurable document, tending to illustrate this leading point of inquiry. Instead of this, the Committee has, it appears, supposed and assumed the fact on which the whole question turns, without waiting for the means of information, (for Mr. Irving's papers 75 and 76 are dated on 1st of June, and the Report was presented on the 8th) or making use of it when in their possession.

The Report states loosely, that this favourable balance of 15 millions should be subjected to some rectifications, without ascertaining what their effect would be; and, owing to this haste, conveys to parliament this most erroneous impression, that our resources and means of foreign expenditure are still great; instead of apprising them of a fact which would, I apprehend, have been new, and perhaps not very acceptable to the public, that, in 1807, the whole of our foreign expenditure, whatever it was, was an addition to a debt to the continent of Europe of two millions sterling; that, in 1808, the total of the foreign expenditure for the ordinary of the army abroad, of Bills on the Navy, Victualling, Transport, and Ordnance, Boards, was a debt incurred; and that in the last year there was a deficiency of 3 or 4 millions encreased by whatever proportion of 27 millions of exports was not paid for within the year. The evidence of all this was before the Committee, or at its command; had they thought fit to bring it forward, it is probable the public would have deemed the rate of exchange and price of bullion sufficiently accounted for, without engaging in any very vehement controversy, respecting the accuracy of the abstract theories of the Report.

In proportion as our faith in the Report is staggered, in proportion as we feel compelled to receive with caution the opinions of the Committee, will those of the practical men rise in estimation. In defiance of documents and of statements to Parliament on authority of vast favourable balances, it was the declared opinion of every such man before the Committee, that the balance of payments has been against us, and so the fact has proved.

I trust it will not be thought that I treat lightly, much less with any thing like disrespect, the *arguments* contained in the Report, and the publications to which I have alluded.

I pass them by, because my sole object is to adduce facts on which others may reason. It would unquestionably be difficult to deny the abstract truth of many of the theories contained in them; but, if abstractedly true, they are not always applicable. At a time when the absence, at least, if not the scarcity of gold is the ground of complaint, they reason on its operation as a vis mediatrix, as if it still formed the circulating medium, and was every where attainable. They speak of increased exportation from reduced prices as a general consequence, wholly disregarding the operation of embargoes, non-intercourse enactments, licences, orders of council, and Milan decrees, in the particular case. At a moment when we were compelled to receive corn, even from our enemy, without the slightest stipulation in favour of our own manufactures, and to pay neutrals for bringing it, Mr. Ricardo tells us, that the export of bullion and merchandize, in payment of the corn we may import, resolves itself entirely into a question of interest, and that, if we give coin in exchange for goods, it must be from choice, not necessity. Whilst providing against famine, he tells us, that we should not import more goods than we export, unless we had a redundancy of currency: writing in the end of 1809, Mr. Ricardo thinks it necessary for Mr. Thornton to shew, (in support of his opinion, that a demand for bullion, and an increased price, might be occasioned by an importation of corn,) "Why an unwillingness should exist in the foreign country to receive our goods in exchange for their corn; and, that if such an unwillingness did exist, we should consent to indulge it."—This equalising system is a very just one, where it meets with no external impediments; but, when applied to practice, it appears to me like the experiment in vacuo, where all friction, all obstruction, being removed, and the power of gravitation alone allowed to operate, the guinea and the feather descend with equal velocities. The fact is undeniably true under the circumstances of the experiment, but it is true only within the limits of an exhausted receiver, and is, therefore, wholly inapplicable to any of the common purposes of life.

The three propositions, to which I have in the preceding pages called the attention of the reader, appear to have been brought forward by the Committee, as well as by the authors on whose theories the Report is founded, to induce the admission of the depreciation of the paper-currency of this country as the necessary consequence of the impossibility of accounting for the depression of the exchanges and the increased price of bullion in any other way;—they may be termed negative arguments. If, by what has been brought under the notice of the reader, this dilemma is in any degree removed, the positive arguments which remain to be examined are relieved of a weight which oppresses and restricts their free operation in the Report of the Committee.

The Committee is of opinion, that the paper-currency is issued to excess. This opinion is founded on two minor propositions:

1st. That the Bank possesses the power of adding to the amount of their notes in circulation beyond the absolute demand for paper, as a circulating medium.

2nd. That their issues regulate those of the country banks, which are dependant upon and proportionate thereto.

Previously to the year 1797, the affairs of the Bank of England were veiled in mystery; the amount of their notes in circulation was not even conjectured by the best-informed men; and it was deemed a sort of sacrilege to pry into their secrets. At that period many leading facts were made known, and information has since been annually communicated to Parliament of the extent of their issues; much additional light was thrown on the nature of their dealings, by the Finance Committee, in 1807; and it might reasonably have been expected, that all that could, with propriety, be made public would have been developed on the present occasion. Such expectation, wherever it was entertained, has been greatly disappointed: instead of ascertaining facts which the experience of the Governors and Directors who were examined would have stamped with the seal of authority, the Committee has, generally speaking, called for opinions, and, where these have proved adverse to the theory which it was intended to establish, has been more occupied in refuting them, and proving their absurdity, than in ascertaining on what they were founded.

In the examinations of the Directors of the Bank, inserted in the Appendix, I find but two facts of any importance bearing on the question now under consideration, viz. the power of the Bank to increase at pleasure the circulation of their notes, — the one was wholly disregarded and the other treated as absurd; — both occur in answer to the question; "What is the criterion which enables the Bank to keep the issue of bank-notes within the limit which the occasion of the public requires, and to guard against excess in the circulation of the country?" — This question occurs virtually more than once, and the answer is this; 1st. The paper would revert to us, if there were a redundancy in circulation; 2dly. By discounting only solid paper, given, as far as we can judge, for real transactions.

It would have been highly interesting to have procured some practical illustration of the first part of the answer, and it was indispensibly necessary to a right understanding of the subject, to have obtained full explanation of the latter.—To the former, the Committee paid very little attention; and they appear to have held the latter extremely cheap; yet this latter criterion seems to be considered as a sort of Bank axiom, and has a sanction which entitles it to more respect than it has received.—To understand this subject aright, it is requisite to analyse, in some degree, the circumstances attending the circulation of bank-paper. Mr. Ricardo has assimilated the Bank of England, during the restriction, so far as relates to the effects of its issues, to a gold-mine, the produce of which, being thrown into circulation, in addition to a circulating medium already sufficient, is an excess; and has the acknowledged effect of depreciating the value of the existing medium, or, in other words, of raising the prices of commodities for which it is usually exchanged.—But Mr. Ricardo has not stated, what is essential to the comparision, *why* it is that the discovery of a gold-mine would produce this effect. It would produce it, because the proprietors would issue it, for whatever services, without any engagement, to give an equal value for it again to the holders, or any wish, or any means, of calling back and annihilating that which they have issued. By degrees, as the issues increase they exceed the wants of circulation; gold produces no benefit to the holder as gold; he cannot eat it, nor clothe himself with it; to render it useful, he must exchange it either for such things as are immediately useful, or for such as produce revenue. The demand and consequently the prices of commodities and real properties, measured in gold, increases; and will continue to increase so long as the mine continues to produce. And this effect will equally follow whether, under the circumstances I have supposed, the issue be gold from a mine or paper from a government-bank. All this I distinctly admit; but, in all this statement, there is not one point of analogy to the issues of the Bank of England.

The principle on which the Bank issues its notes is that of loan. Every note is issued at the requisition of some party, who becomes indebted to the Bank for its amount, and gives security to return this note, or another of equal value, at a fixed and not remote period, paying an interest, proportioned to the time allowed. "The notes of the Bank of England," the Committee observes, "are principally issued in advances to government for "the public service," (anticipations of the taxes and instalments of loans, to be repaid by the public,) "and in advances to the merchants upon the discount of their bills."

It is a consequence of this mode of issue that it costs something, namely the interest on the the money borrowed, to take a note out of the Bank. No note is isued in payment of any service, moral or physical, constituting the consideration for it, and there is therefore no analogy between the circumstances of the issues from a gold mine and those from the Bank of England. In the case of an excessive issue of gold beyond the wants of circulation, the excess is brought to market to be made productive, it grows cheap, and commodities grow dear. In the case of an excess of bank-paper the remedy is more simple: the "surplus," says the late Governor of the Bank, "would revert to us by a diminished application for discounts and advances on government-securities." This part of the subject requires illustration, because it cannot be very generally understood by those who must ultimately decide on the merits of the Report.

The Committee have entered into some detail in the Report, and have annexed some documents in the Appendix, to illustrate the practice which obtains in the transaction of business by the London bankers, and in the money-circulation of the metropolis, but their observations afford a very inadequate view of the subject, and the whole of page 23 must be taken as evidence that, by those who drew the Report, the subject was not perfectly understood.

By the practice of London, strengthened by a resolution of the Bank of England, not to discount any bill unless payable at the house of a regular banker, all the commercial payments of the metropolis, as well as those of the country transacted in London, are made through the agency of a banker. In 19 cases out of 20, where the payment is not to a revenue-board, the business is transacted between two bankers, one on the part of the debtor, the other on the part of the creditor.—It is become an established practice between bankers not to call upon each other for these payments before 4 o'clock; and then mutually to write off or exchange the respective charge which each has upon the other, and to pay the difference only; by which contrivance, so great an economy of bank-notes is effected, that an average of £220,000 of notes is found sufficient, according to the evidence of the inspector of the clearing-house, to settle the balance of daily transactions to the amount of £4,700,000. Owing to this circumstance the bankers have been enabled to lower, very considerably, their stock of notes, and to place the same productively in bills and others securities. This comparatively unprepared state to answer unforeseen demands has led to other improvements in banking. A great proportion of bankers have now accounts open with the Bank, where, if they take care to hold a sufficiency of good bills, they can always get money at one day's notice; and, as a still farther accommodation, accredited brokers now hourly walk Lombard-street, take the superfluous cash of one banker, and lend it to another, in any sums, for any time, a week, a day, or for an indefinite period, to be repaid when called for; nay, so nicely is the scale now adjusted, that a loan of bank-notes before 3 o'clock, repayable by draft at the clearing at four, is no uncommon or unimportant accommodation to the most opulent parties in the money-market.

From this statement it is evident that the banking-houses in London are like so many cisterns, disposed on each side of the street, between which pipes of communication are introduced, the overplus of one will presently find its way into the next, and whilst one is deficient none will overflow.

The Bank has of late become a party to a very important arrangement to economise bank-notes. The daily demand of the Bank on the bankers for the amount of bills accepted and payable at their several houses is of course considerable, and used to be made at an early period of the day, before the notes were issued for bills discounted on the same day, and without any previous information to the bankers of what the amount charged on them might be, and of which they had no means of judging. The Bank has, for some time past, notified the extent of the demand in the early part of the day, and taken the amount at four o'clock; receiving in payment any draft on the Bank for discount, or otherwise, which the bankers may happen to hold, instead of bank-notes. Every endeavour, it may fairly be inferred, therefore, is used to economise bank-notes, and restrict the circulation; by the bankers, for the purpose of increasing their profits, which depend on the proportion of their deposits which they can turn into quick stock; and by the Bank, with a view to the public accommodation, or to save an unprofitable issue of bank-notes. Still, it may be said, if the Bank gives way to the applications for discount, which may be as unlimited as the spirit of adventure, bank-notes may be multiplied ad infinitum, at the will of the Directors. The Bank Directors say otherwise, "If we issue too many notes, the excess will return upon us."

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

I have already shewn with what degree of rapidity money finds its level amongst the bankers in London, and it results, therefore, as a general inference, that, whilst there is money unemployed and to spare in the city, discounters of the first class will not present themselves at the Bank; this statement will lead, I apprehend, to an explanation of the answer of the Directors to the inquiry of the Committee as to any rule by which they regulate their issues of notes so as to prevent excess. So long as the amount of notes in the hands of the public is not more than the parties holding them are willing to retain in their hands unemployed, for the purpose of making their daily payments, there is obviously no excess of that description which influences the price of commodities. When the amount goes beyond this, the surplus instantly fastens on the best bills and most eligible government-securities, chiefly on the first; and the effect even of a very small surplus will, whilst it continues, be surprisingly great. If it fall into the hands of any discounter who has occasion to pay money to the revenue-boards or to the Bank, the notes are cancelled, and the excess removed. If otherwise, the same sum of £50,000 may pass successively through the hands of every banker in Lombard-street, and absorb in its passage all the best bills in the market, to an unlimited amount; for if A. a merchant, borrow it of B. a banker, he immediately pays it away to C. who deposits it without loss of time (indeed, as I before observed, he never withdraws it) with the same or other bankers; but, however often this transaction takes place during the day, it makes no real reduction in the supposed excess of notes, which will be as superabundant after the last discount it has effected as before the first. But the case will be speedily altered, the demand for discounts at the Bank is diminished on the morrow, to the extent of the multiplied accommodation afforded by the excess, whilst its call on the public for the payment of discounted bills falling due is undiminished.

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

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

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

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

How much earlier the effect was produced the paper in the Appendix to the Report does not in these instances shew, but the more detailed accounts No. 38, 39, and 40, enable me to state that in January, 1810, the large issue made on the 9th and subsequent day had lost its effect by the 22d, on which day the circulation was reduced below the average of December;

on this occasion, the speedy reduction may be considered, perhaps, as promoted by the partial redemption of the loan in the hands of the Bank at that period. But in April no such cause operated, yet it appears that by the 21st of April the circulation was within £100,000 of the amount on the 31st of March, although in the intervening period nearly four millions had been issued for dividends on the public funds.

In the year ending Jan. 1810, the interest on the public funds, exclusive of the proportion received by the commissioners for reducing the debt, amounted to about 26 millions, or, deducting the property-tax, to 23½ millions; which was issued to the public quarterly, in the proportions of 7½ millions in Jan. and July, and 4½ millions nearly in April and October.*

It is observable that, although the January and July dividends exceed by three millions those of the other quarters, there is no perceivable difference in the period within which the circulation is reduced to the average amount.

The efficiency of the controul which the public holds over the issues of the Bank is in some

* It appears by the account No. 4, in the Appendix to the second report of the Finance Committee of 1807, that the amount of dividends due is generally issued within about £500,000, before the end of the month in which it is payable.

measure governed by the amount of discounted bills in the hands of the Bank, compared with the amount of advances to government on securities payable at more remote or less certain periods, and the total amount of notes. The two latter amounts we know, the former is not distinctly before the public, but the Committee has stated, from a communication made in confidence, that, whilst the advances to government for the two last years are less than they were for any of the six years before the restriction, the amount of bills discounted in the last year *bears a very high proportion to their largest amount in* any year preceding 1797; without going into calculation it will readily be allowed that the amount of these bills, this demand on the public, far exceeds any possible or supposed excess; and, if there be any where a superabundance of notes, it is therefore very easy to reduce it.

I have entered into the preceding detail for the purpose of shewing the practical operation of the rule by which, as the directors have stated, the bank regulates its issues so as to avoid excess. I think it will be satisfactory to my practical readers. By those of a more speculative cast the theories of the Report will still be preferred, but for such, I have a more cogent argument in store, and one to which they will hardly demur;—whether the rule in question be really the governing principle of the Bank, or whether it was thrown before the Committee with any malicious intent, I dare not decide, but the fact certainly is, that the axiom, or rule of conduct, on which the Committee has been pleased to heap contempt and ridicule, respecting which they have declared that the doctrine is fallacious, and leads to dangerous results, was promulgated by, and is founded on, the authority of Dr. Adam Smith, and was proposed to the Committee nearly in his own words. I quote the passage from the second chapter of the second book of the Wealth of Nations.

"What a bank can with propriety advance to a merchant or undertaker of any kind is not either the whole capital with which he trades, or even any considerable part of that capital, but that part of it only which he would otherwise be obliged to keep by him unemployed, and in ready money, for answering occasional demands. If the paper which the Bank *advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country if there were no paper-currency,* it can never exceed the quantity which the circulation of the country can easily absorb and employ." True; but how shall we ascertain when it exceeds this value. "*When a bank discounts to a* *merchant a real bill of exchange, drawn by a real creditor upon a real debtor, which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands."* Consequently its advances will not exceed the quantity which the circulation of the country can easily absorb and employ.

That the Committee may be right and Dr. Smith wrong is very possible; I am not theorist enough to decide between them; but the whole weight of Adam Smith's authority lies on the passage, and must be raised before the theory contained in it can be overturned. It is brought forward by him expressly as a rule for the conduct of banks, and he adds, "little expense can ever be necessary for replenishing the coffers of such a bank. (Ed. 1796. vol. 1, page 455.)

In the course of the examination of the Bank Directors by the Committee, it appeared that they do not refer to the state of the exchanges and price of bullion as a rule by which to regulate their advances, conceiving "that there is no connexion between the exchanges and the amount of Bank circulation." That this is also a great practical error, the Committee infers from the experience of all nations, where a paper-currency has been in use, and they advert briefly to the effects produced on the exchanges by the paper-currencies of North America, of France, of Portugal, and Austria. They observe, however, that "excess and want of confidence have usually combined to depreciate the paper-currency of foreign countries; but, as want of confidence has no place in our situation at present, they adduce examples of the other sort, in which the depreciation was produced by excess alone." As the anecdotes are stated, it would certainly appear that the paper was in the adduced instances excessive, and yet the fact most assuredly is, that in neither case was excess the cause of the depreciation, and the assumption directly contradicts the obvious meaning of the documents referred to. The first instance purports to be cited from Adam Smith, and refers to the latter part of the 2d chap. of the 2d book of the Wealth of Nations.—It is thus given in the Report, (page 17.) "In Scotland, about the end of the seven years war, banking was carried to a very great excess, and, by a practice of inserting in their promissory notes an optional clause of paying at sight or 6 months after sight with interest, the convertibility of such notes into specie at the will of the holders was, in effect, suspended. These notes accordingly became depreciated, in comparison with specie; and while the abuse lasted the exchange between London and Dumfries, for example, was sometimes 4 per cent. against Dumfries, while the exchange between London and Carlisle, which is not 30 miles distant from Dumfries, was at par. The Edinburgh banks, when any of their paper was brought in to be exchanged for bills on London, were accustomed to extend or contract the date of the bills they gave, according to the state of exchange, diminishing in this manner the value of their bills, nearly in the same degree in which the *excessive issue had caused their paper to be depreciated.* This excess of paper was at last removed by granting bills on London at a fixed date," &c.

That the depreciation might be thus remedied is natural enough; but it is not an equally obvious remedy for excess.—The fact is, that in the original passage in the Wealth of Nations there is not one word about excess; and Dr. Smith assigns a different cause and also a different remedy for the depreciation.—Speaking of the optional clause, he says "the promissory notes of those banking companies constituted, at that time, the far greater part of the currency of Scotland, which this uncertainty of payment degraded below the value of gold and silver money;" he states the fact respecting the difference of exchange between Dumfries and Carlisle, and adds: "but at Carlisle bills were paid in gold and silver, whereas at Dumfries they were paid in Scotch bank-notes, *and the uncertainty of getting those bank-notes exchanged* for gold and silver coin had thus degraded them below the value of that coin: The act of parliament which suppressed 10 and 5 shilling notes suppressed likewise *this optional clause, and thereby restored* the exchange between England and Scotland to its natural state."

Again the Committee refer to two tracts in Lord Somers' collection, one by Mr. Godfrey, one of the original directors of the Bank, the other by Dr. Drake, published in 1699;—as authority for the statement, "that, within a short period after the establishment of the Bank, (during the financial distresses in the reign of King William,) the effects of a depreciation of the coin, by wear and clipping, was coupled with the effects of an excessive issue of paper, and that, by the liberality of their loans," (to government and to individuals,) "the quantity of the notes of the Bank became excessive, their relative value was depreciated, and they fell to a discount of 17 per cent.

and the exchange with Holland, which had been before a little affected by the remittances for the army, sank as low as 25 per cent. below par. At length the true remedies were resorted to, first by a new coinage of silver, &c. and, secondly, by taking out of circulation the excess of bank-notes; this operation appears to have been effected very judiciously. Parliament consented to enlarge the capital-stock of the Bank, but annexed a condition, directing that a certain proportion of the new subscriptions should be made good in bank-notes. In proportion to the value of bank-notes sunk in this manner the value of those which remained in circulation began to rise; in a short time the notes were at par, and the foreign exchanges nearly so."

I have referred attentively to both these tracts, and have endeavoured fully to comprehend their meaning as well as their language, and am unable to extract one syllable from either of them, to countenance the idea of excessive circulation in the instance referred to as the cause of depreciation of the notes, or of the reduction of the rates of exchange, although the fact of depreciation is distinctly stated.—Mr. Godfrey's tract is important to the present purpose only as it shews that the advances of the Bank were made, at that time, on principles so different from those which for a century past have governed its conduct as to preclude all comparison or analogy. The Bank advanced money on real securities; mortgages and pledges of commodities not perishable; they also allowed an interest of 3 per cent. on their notes in circulation. But Mr. Godfrey mentions neither excess nor depreciation.

The important parts of the statement are taken from Dr. Drake; but I cannot concur in the paraphrase of the Committee: he speaks of the deteriorated state of the coin, and of the difficulties which had attended the recoinage just then completed. He states that the notes of the Bank had been at a discount of 20 per cent. and the government-tallies at a discount of 40, 50, and 60, per cent. and that Parliament had provided a remedy, 1st, by a new coinage of silver, and, 2dly, by authorising the Bank to augment its capital on condition that the subscriptions should be made $\frac{4}{5}$ in tallies and $\frac{1}{5}$ in bank-notes. The subscription amounted to one million, and Parliament assigned funds for interest thereon at 8 per cent. to be raised by a tax on salt. By this measure £800,000 of tallies were taken out of the market, and £200,000 of bank-notes also; but the condition of the subscription referred obviously to the obligation to take $\frac{4}{5}$ tallies; which hung as a weight on the exchequer, and which it could not discharge; be this as it may, Parliament had certainly no idea that bank-notes were excessive in the sense of the Committee; for Dr. Drake says, that, as a remedy for the scarcity of money, Parliament issued 2 millions of exchequer-bills as low as £5 and £10 each, "which answered the necessities of commerce among the meaner people for the common conveniences of life," and, "these bills passed in payment as so many counters, which the people were well enough satisfied to receive, because they knew the exchequer would receive them again as so much ready money."—Can it be assumed under these circumstances that the depreciation of bank-notes was occasioned by their excess as a medium of circulation?—Dr. Drake certainly says, "the value of £200,000 of bank-notes having been sunk by the new subscriptions, the rest, as it was reasonable to believe they would, began presently to rise in worth," and this expression might seem to countenance the statement of the Committee, but Dr. Drake's opinion, supposing he intended to distinguish between excess and discredit, is of less weight than his facts, and he states "that no other way could have been found out to have retrieved their sinking credit;" "that Parliament took into consideration by what means they might restore *the credit* of the bank of England, which was then at a low* ebb," and I know not where the Committee has met with the information (the correctness of which I do not mean to impeach) that the Bank Stock was at a premium, whilst the notes were at a discount. An adequate cause of the depreciation of their paper might easily be discovered, without supposing it excessive. — 1st. Bank-notes were payable in silver, then a legal tender and the usual medium of payment, which was so depreciated by clipping, that 30 *s.* were given in exchange for a guinea: moreover, during the recoinage, the Bank "thought proper," as Dr. Smith expresses it, "to discontinue the payment of their notes, which necessarily occasioned their discredit;" and the Bank had not only lent their whole capital to government, (then in such difficulties, that Dr. Drake observes, unless a remedy had been found for the loss of credit, the new government could not have continued much longer,) but held tallies (then at a discount of 40, 50, and 60, per cent.) to an amount exceeding that of their notes outstanding, and had even borrowed money in Holland, as appears by the account presented by them to the House of Com-

* See Dr. Drake's tract, entitled "a short History of the last Parliament," in vol. 8. of Lord Somers' Collection, page 164.

mons, on the 4th of Dec. 1696, which I find transcribed in Mr. Fairman's brief, and apparently accurate, account of the British Funds. The account is thus stated:

To sealed bills outstanding .	£893,800	0	0
To notes for running-cash .	764,196	10	0
To money borrowed in Holland	300,000	0	0
To interest due on Bank-bills outstanding	17,876	0	0
	£1,975,872	10	0

The assets to answer this debt were:

By tallies on several parliamentary securities	£1,784,576	16	0
By half a year's deficiency on the fund of £100,000 per annum	50,000	0	0
By cash, pawns, mortgages, &c.	266,610	16	0
Total credits . . .	2,101,187	12	0
Total debt	1,975,872	10	0
Balance in favour of the Bank	£125,315	2	0

Mr. Fairman observes, but does not state his authority, that, when the "new coinage was completed, Bank-stock, from *being consi-*

derably under par, got up to 112."—It will be recollected that these two cases are cited, in the Report, as instances in which the depreciation of the paper-currency and consequent depression of the exchange were produced by excess alone:* that viewed in this light they "appear to the Committee to afford much instruction on the subject of their inquiry;" and I have not therefore thought it altogether unimportant to ascertain the nature and extent of the instruction to be derived from them.

The next proposition to be examined is that which relates to the country banks; that the Bank, by its issues, regulates the amount of country-bank paper also. The practical importance of this question would not be great if it were admitted, which I cannot assume, that the public demand controuls the issue of bank-notes, for then it necessarily controuls, on the principle of the Committee, the circulation of the country banks also. The paragraph in the Report in which this proposition is brought forward in page 28 runs in these words:

The Committee "observe that so long as the

* The famous Mr. Law, who wrote in 1720, ninety years nearer the transaction, observes, "I do not know how their notes came to be at a discount, whether from the circumstances of the nation or their own ill management."

cash-payments of the Bank are suspended the whole paper of the country bankers is a superstructure, raised on the foundation of the paper of the Bank of England. The same check which the convertibility into specie, under a better system, provides against the excess of any part of the paper-circulation, is, during the present system, provided against an excess of country-bank paper by its convertibility into Bank-of-England paper. If an excess of paper be issued in a country district, whilst the London circulation does not exceed its due proportion, there will be a local rise in prices in the country district, but prices in London will remain as before. Those who have the country paper will prefer buying in London, where things are cheaper, and will therefore return that country paper upon the banker who issued it, and will demand of him Bank-of-England notes or bills upon London; and thus, the excess of paper being returned upon the issuers for Bank-of-England paper, the quantity of the latter necessarily and effectually limits the quantity of the former. This is illustrated by the account which has been given of the excess and subsequent limitation of the paper of the Scotch banks, about the year 1763. If the Bank-of-England paper itself should at any time during the suspension of cash-payments be issued to excess, a corresponding excess of country-bank paper may be issued, which will not be checked: the foundation being enlarged the superstructure admits a proportionate extension: and thus, under such a system, the excess of Bank paper will produce its effect upon prices not merely in the ratio of its own increase, but in a much higher proportion." The nature and limits of my observations forbid my engaging in a controversy with this formidably metaphysical paragraph. I offer it to my readers as a specimen of the happy facility with which foundations are laid without possessing the soil, and superstructures erected on it without ascertaining its solidity.

The Committee has not defined the sense in which they use the term excess of currency, I therefore suppose it to be used in the Report in the sense in which it is used by Dr. Smith, as denoting a quantity greater than the circulation of the country can easily absorb or employ. Excess being assumed in the country paper, London notes *or bills upon London* will, it is said, be demanded in exchange; and thus the excess of country paper being continually returned upon the issuers,—what follows? that the country paper is kept within the point of excess? not at all; "that the quantity of the latter necessarily and effectually limits the quantity of the former." Does this follow as a consequence? admitting the accuracy of the reasoning, under the supposition that the country notes were actually paid in Bank-notes, it does not apply, under the admission that they are paid by bills on London, since, as we have already shewn, the payment of these has very little reference to bank-notes.—Again: "If the Bank-of-England paper itself should at any time be issued to excess, a corresponding excess may be issued of country-bank paper, which will not be checked. — The foundation being enlarged, the superstructure admits of a proportionate extension:" this is not surely a legitimate inference. The country notes, if issued to excess, will be brought back to be exchanged for London notes; but it does not follow that the country-bank paper, if issued to excess, will not be checked, because there is already more Bank paper in circulation than the country can absorb and employ. Admitting for the moment the theory about local prices and districts, which some of my readers will, I doubt, think a very wild one, it is not applicable to the case of an excess of Bank-notes occasioning an additional issue of country notes. The Report supposes a case, that an excess of paper is issued in a country district, and draws an inference from it different, perhaps, from that which is obvious; but the question before us is the effect on country notes of an increase, be it excess, of London notes. I will therefore repeat the argument of the Committee, changing town for country, and see what result it produces.

If an excess of paper be issued in the London district, while the country circulation does not exceed its due proportion, there will be a local rise in prices in the London district; — those who have the London paper will prefer buying in the country, where things are cheaper, and will therefore return that paper upon the Bank, who issued it, and will demand — what? Country-bank notes from the Bank; that cannot be: of the country banker in exchange for Bank-notes; equally improbable: and yet, unless it comes to this, how will the superstructure of country notes be enlarged in proportion to the extention of the foundation? If things are cheaper in Liverpool than in London I shall prefer buying there, and if I have too many Bank-notes, I shall (in theory at least) send them to Liverpool in payment; where, till they are got rid of and returned to London, they may restrict, but can never augment by one shilling, the circulation of the Liverpool banks.

The Committee has assumed as an axiom

that country-bank paper is a superstructure raised on the foundation of the paper of the Bank of England. But where do they learn this? They learned from Mr. Stuckey, a considerable and experienced banker in Somersetshire, that his houses regulate their issues by the assets they have in London to pay them, consisting of stock, exchequer-bills, and other convertible securities, without much reference to the quantity of Bank-of-England notes or specie which they have, although they always keep a quantity of both to pay occasional demands.—That it is unquestionably his interest, as a banker, to check the circulation of bank-notes, and to remit to London such as he receives beyond the amount which he retains as a deposit. That he imagines, if Bank-of-England notes were withdrawn from the parts where they now circulate, as from the county of Lancaster, where they form the chief circulation, their places would be immediately filled up by the notes of the country banks.—What is there in this evidence to sanction the opinion, that bank-notes either generate or limit country notes?—But, adds the Report, this principle, viz. "that the quantity of bank-notes necessarily and effectually limits the quantity of country notes, is illustrated by the account which has been given of the excess and subsequent limitation of the paper of the Scotch banks, in the year 1763:"—The illustration runs thus: "this excess of paper was at last removed, by granting bills on London, at a fixed date, for the payment of which excess of paper *it was necessary in the first instance to provide large pecuniary funds in the hands of their London correspondents.*" This illustration affords no assistance to the theory it is introduced to support, because it depends on a fact, and the fact relied on is altogether unfounded. Did the Committee really suppose that a Scotch bank, or any other bank, when giving a bill at 40 days date, on London, in payment of its notes, actually deposits, in the first instance, Bank-notes in the hands of its London correspondents; and farther, that the banker having possession of them holds them specially appropriated to the discharge of the bills for which they are to provide? that they could mean this is impossible, yet, if the fact be not so the illustration is wholly inapplicable to the case. In confirmation of the opinion respecting the dependance of country on town paper, the Committee has adduced a fact and figures which it is necessary to examine, because they afford a remarkable instance of the bias with which evidence is brought forward in favour of what Mr. Locke terms an "espoused proposition."

Referring to documents received from the Stamp-office, the Report states, that, in 1809, the number of stamps on notes reissuable, in the classes between £2 : 2 and £20 alone, indicate, on an average calculation, an increased issue of notes, to the amount of £3,095,340 beyond that of 1808, whence they infer an increased circulation to that extent. The statement is given thus: — " Number of country-bank notes exceeding £2 : 2, each stamped in the years ending the 10th Oct. 1808, and 10th Oct. 1809:

	1808	1809
Exceeding £2 : 2 & not exceeding £5 : 5	666,071	922,073
Exceeding £5 : 5 & not exceeding £20	198,473	380,006

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

	1805	1806	1809
Exceeding £2 : 2 and not exceeding £5 : 5	823,460	832,940	922,073
Exceeding £5 : 5 and not exceeding £20 .	302,600	323,100	380,006

Adopting the calculation of the Committee, it will be found that the increased circulation in 1809, beyond that of 1806, is £512,000 in three years, instead of £3,095,000 in a single year; and this is the fair mode of comparison; for the Report states that these notes are re-issuable for three years: those issued in 1806 are, therefore, renewed in 1809, as those of 1805 are in 1808. The aggregate issue of the two years 1808 and 1809 is less than that of 1805 and 1806 by 115,477 stamps, equal to £775,000. Had the statement been a fair and correct one, it would yet have been inapplicable to the case. Antecedently to June, 1809, no increase had taken place in the amount of bank-notes beyond the circulation of 1808; yet it appears, by the return from the Stamp-Office, No. 53, that the increased demand for stamps alluded to by the Committee took place in the latter end of 1808 and beginning of 1809, and that, as the issue of bank-notes increased between July 1809, and May 1810, the issue of stamps for country notes materially diminished.

Number of stamps of the classes before stated issued in the following quarters :—

In the quarter ending	5th Jan. 1809	465,071	
	5th April	324,008	
	5th July	371,960	
Total issues of 3 quarters		———	1,161,039

Between July 1809 and May 1810, the amount of bank-notes increased from 18 to 21 millions, the issue of stamps for country notes (of the same classes) was

In the quarter ending	Oct. 1809	221,719	
	Jan. 1810	284,658	
	April	262,365	
		———	768,742
Issue, less in the 3 last quarters			392,297

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

* Mr. Ricardo is also of opinion that the Bank of England

Whatever opinion be entertained on these points, however the questions respecting the powers of the Bank be disposed of, still the opinion of the Committee, that, in point of fact, the paper-circulation of the country is excessive, stands as the prominent feature of the Report. As the fact is not *apparent* at least, (I mean that there is more paper than the country can easily absorb and employ,) the onus probandi seems to lie on the Committee, but they have thrown it altogether off their shoulders, they have brought forward neither evidence nor documents in support of the opinion,

is the great regulator of country-bank paper, "when they increase or decrease the amount of their paper, the country banks do the same." And he grounds this opinion on the theory of prices tending to equalize the circulating medium in districts having free intercourse. It is foreign to my purpose to enter into an argument on this subject; but it appears to me, that Mr. Ricardo was bound to shew that some physical impossibility obstructs the increase of bank-notes at the expense of country notes, and *vice versa*, before he assumes that an increase of bank-notes must produce an increase of country notes: he seems to consider it probable that the endeavours of country bankers to displace bank-notes has been successful, in which case the proportion between town and country notes has varied without any such fluctuation, in the price of commodities has formed the basis of his argument. On the other hand, any introduction of bank-notes to supply the place of discredited country notes, as recently in the West of England, augments the positive amount of the former, whilst that of the latter is positively diminished.

and they distinctly admit that the high price of bullion and the low state of the continental exchanges are the most unequivocal symptoms of excess they have to adduce.

They have, indeed, added materially to the difficulties of the inquiry, for they state (what is probably true) that the mere numerical amount of bank-notes in circulation is no evidence of inadequacy or excess, as the same amount may bear a very different proportion to the necessities of commerce under different circumstances of trade and payments, and that the quantity of currency bears no fixed proportion to the price of commodities; they take also to themselves the benefit of any argument to be drawn from the economy introduced in the use of bank-notes, which they think must have produced a greater effect than has been ascribed to it, in lessening the quantity of bank-notes necessary to the circulation. It is therefore needless to dwell on the fact of an exchange 6 to 8 per cent. in our favour in 1804 and 5, with a circulation of £18,300,000 of Bank-notes, (Finance Committee, 1807, App. 8.) or to shew that, in the end of 1808 and beginning of 1809, it turned against Great Britain, with a circulation less by one million; to point out an improvement of 10 per cent. on the exchanges, with a continually-increasing circulation, between Nov. 1809 and May 1810; or to recur to the state of the exchanges and price of bullion in 1800, when they were nearly as unfavourable, with a circulation of 15 or 16 millions, as in 1810 with a circulation of 21 millions. The circumstances of the internal circulation, it will be said may have been such in 1804 and 5, that a greater amount was not then an excess, although in 1809 a smaller amount was found to be so. But it becomes then a fit subject of inquiry, whether circumstances so varying, and so greatly operative, whatever they be, may not also produce a direct effect on the course of exchange and price of bullion. With respect to the contrivances to economise bank-notes, it should be observed that the London clearing-house, the great feature of this economy, has existed, as appears by the evidence of the inspector, 35 years, and its operation was long anterior, therefore, to the restriction-bill, and the increased issue of bank-notes.

But these are not the only difficulties attending a comparison of the amount of bank-notes with their object. Mr. Ricardo states, "that the circulation can never be overful," (page 40,) meaning thereby, as I apprehend, (for in this instance Mr. Ricardo's language is not quite so clear and perspicuous as it usually is,) that, as the nominal price of commodities rises in proportion to any increase of currency, the currency, though of greater numerical amount, will not bear a higher proportion to the value of the commodities; and although there is an obvious depreciation there is no excess. If this interpretation be adopted it will be nearly useless to search for, and inquire after, excess of paper as a fact; we must be content to admit proof of its existence from its effects, and our attention must be directed to ascertain depreciation, or an increased price of commodities, solely arising out of, and occasioned by, the increased amount of the *circulating medium.*

There is a passage, however, in the Wealth of Nations, which introduces a mode of comparing the amount of currency with its object, not noticed by the Committee.

"A prince," says Dr. Smith, "who should enact that a certain proportion of his taxes should be paid in a paper-money of any kind, might thereby give a certain value to this paper-money, even though the time of its final discharge and redemption should depend altogether on the will of the prince. If the Bank which issued this paper were careful to keep the quantity of it always somewhat below what could easily be employed in this manner, the demand for it might be such as to make it even bear a premium, or sell for somewhat more in the market than the quantity of gold and silver for which it was issued." The principle being admitted, on the authority of this eminent writer, it remains to be shewn how far the conditions are, in our case, fulfilled.

The enactment is ample: not only the whole amount of the taxes of Great Britain are payable in bank-notes into the Bank of England, but even the economy heretofore spoken of in mercantile transactions has in this instance no place. The revenue-boards take no drafts, orders, nor commutations, of any kind, nor does the Bank afford in the receipt of the revenue any of the facilities to which it has become a party in its dealings with bankers, even on the most pressing emergency; and bank-notes do, therefore, actually, (as Dr. Smith supposed they might,) in many cases bear a positive premium: I mean at those periods previously to the issue of dividends, when the receivers-general or their agents, being bound to make their payments within a given day to the Bank, are content to accept a less price for funds or exchequer-bills, if paid for in notes immediately, than if paid for on the next or any following day, or even by draft payable in the afternoon of the same day. This difference, not unfrequently 3 or 4 times the value of the interest of the positive premium for bank-notes, since it would not be given for a consideration of any other kind; the acceptances of the first merchants or bankers, East-India bonds, country-bank notes, will not obtain it: nothing procures it, but that precise commodity, money or bank-notes, which alone answers the purpose of making the payment required. And if the law required that the taxes should be paid exclusively in notes, there is no question but Bank-notes would bear the same premium, on these occasions, against money also;—for it is their scarcity, at these moments, which gives rise to it. Nor, if we refer to figures, shall we be surprised at this effect, or that Bank-notes should, at particular periods, be scarce and insufficient in amount for the public accommodation.

	£
Antecedently to the commencement of the war in 1793 the total amount of the permanent taxes, on an average of four years, (2d Report of the Finance Committee, 1797,) was	13,800,000
Add the real amount of the annual grant of land and malt	2,558,000
Total payments to the revenue ... year	16,358,000

At this period the amount of Bank-notes in circulation, on an average of four years, to 1793, (Rep. Appendix, 49,) was	11,200,000
And the amount of gold coin, beyond that now in circulation, taken at the amount of £1 and £2 notes since issued, being equal to one-tenth part of the gold coinage between 1760 and 1797	6,100,000*
The total amount of currency, in 1793, being, therefore .	17,300,000

and equal in amount to, or rather exceeding, the payments to the revenue in the course of one year. At this period the exchanges were much in our favour, gold below the mint-price, and bread at 7½*d.* the quartern loaf.

	£
The net amount of the public revenue paid into the Bank of England, for the year ending 5th Jan. 1810, was	62,129,781
Add amount of loan, including 3 millions for Ireland, the pay-	

* It seems probable that this sum is less than ⅓ of the amount of gold circulating in 1793.—See Supplement.

ments for which are made to the Bank in the same manner as the taxes	14,674,668
Total payment as per account delivered to Parliament on 24 March last	76,805,449

At the period of the greatest depression of the exchange, in the autumn of 1809, the amount of Bank-notes, including those of £1 and £2 and Bank post bills, did not exceed 20 millions. The increased amount of currency beyond that of 1793 was therefore 3 millions, and the increased amount of payments to government alone above 60 millions. The currency being now little more than one-fourth of the amount of these payments; whereas, before the war, it exceeded it; when there was no ground of complaint against the rate of exchange, the price of bullion, or that of commodities. At present, the total amount of Bank-notes in circulation, throughout the kingdom, is cancelled between 3 and 4 times in each year, in payments to the revenue; and every reader must form his own opinion, whether, under such circumstances, the amount is greater than "can be easily employed in this manner," according to the idea of facility which Dr. Smith entertained when he used the expression.*

It is not equally easy to form an estimate of the commercial circulation at the two periods; and, if it were formed, the observations of the Committee would preclude any application of it. But, it is not altogether an unimportant fact that, since the restriction, the increase in the amount of Bank post-bills, a species of note not seen in London, and used chiefly for the purpose of making remittances to the country, is nearly in proportion to the increase of notes generally. When the amount of Bank-notes was 10 to 11 millions, the Bank post-bills outstanding amounted to £5 or 600,000: now that Bank-notes have increased to 20 or 21 millions, the post bills have amounted to one million, which I consider as evidence of increased internal circulation in the same proportion.

It was more within the power of the Committee to have investigated the question of depreciation; it was fully within their power, at least, to have ascertained in what sense, and

* Having occasion, in the course of the last year, to trace the payment at the Bank of a note of £1000, I collected, from the mode of search and the observations made, that it would be an unusual case if a note of this description had not returned within a month from the period of its issue.

to what extent, they mean to impute the increased price of commodities to the paper-circulation, when they intimate, that the cause of the increased price of all commodities is to be found in the state of the currency of the country; and, that the Bank is responsible for the effect on prices not merely in the ratio of its own excess of paper, but in that of the excess of country-bank paper also. But nothing is done in the Report towards either of these objects, and its language has an obvious tendency to sanction the popular notion, that the increased price of commodities is evidence of a depreciation of currency.

There are two obvious and practical causes of the augmentation of prices in Great Britain, since the date of the restriction-bill, the effects of which should have been accurately ascertained, before a cause not obvious, wholly speculative, and against the hasty adoption of which the best authorities have cautioned us, was assigned in the Report.

The causes to which I allude are, the altered state of the corn-trade, and the scarcity arising out of it in 1800 and 1801:

And the increase of taxes since the commencement of the war in 1793.

From the year 1790, Great Britain has ceased to produce corn enough for its own consumption; and has annually imported large supplies. At the end of 1799, there was no stock on hand, and, during the deficient harvests of 1800 and 1801, the importations were greatly inadequate to supply the loss. The scarcity and consequent measures of those years are yet fresh in our recollection; seventeen acts of parliament passed with reference to this subject in the last six weeks of 1800. Bounties were granted, and every substitute adopted, yet the average price of wheat *for the two years*, throughout England and Wales, was 109*s.* to 110*s.* and bread rose to 18*d.* and even to 22½*d.* the quartern loaf. It became necessary to advance the wages of all descriptions of labour, and these, as well as the pay of the army and navy, were raised to the standard of the current prices. Although the price of grain subsequently fell, the wages of labour did not experience a reduction; and they remain at present nearly at the standard to which they were advanced about the years 1800 and 1801.—If the price of labour be now, as it is generally understood to be, fully adequate to the present high price of provisions and commodities, the excess, during the abatement of price, in the years succeeding 1801, from an average of 110*s.* to an average of 67*s.* in 1802, 75*s.* 76*s.* and 79*s.* in 1805, 1806, and 1807, has operated as a cause, instead of being the effect, of high prices, and has defeated the endeavours of Parliament so to apply the taxation as not to affect the wages of labour, and has produced the same effect which a direct tax on labour would have occasioned. It is, perhaps, impossible to ascertain in what degree the prices of commodities generally have been affected by this extraordinary advance of the wages of labour, but it appears from the communications made to the Board of Agriculture, that the advance of wages to labourers in husbandry, between 1790, when export ceased, and 1804, amounted to 37 per cent. *on the prices of* 1790.

There are readier means of ascertaining the effects of increased taxation. In 1793, as I before stated, the net revenue amounted to about sixteen millions; but it is the gross revenue which the subject pays, and we may, therefore, call it, at that time, seventeen millions.

The gross revenue of one year, to January, 1810, amounted to £70,240,226, as appears by the account delivered to Parliament, on the 24th of March, being an addition to the charge on the land, the labour, the revenue, and expenditure, of British subjects, since 1793, of £53,240,000.

According to every principle of political economy, a tax on land, labour, or industry, is a tax on the produce of each, as fully, if not so directly, as the taxes levied on goods at the Custom-house or Excise-office, and, therefore, this sum of fifty-three millions must be, and now is, added to the aggregate price of commodities in Great Britain, beyond their price in 1793, except in so far as the direct and personal taxes fall on those who, living on fixed incomes, have not the means, by the increased price of their labour, increased profits, or increased rents, to relieve themselves of the burthen. The direct taxes amount to about one-fourth of the whole, and the proportion of these, which falls on certain incomes, does not affect the price of commodities. If certain incomes be taken at an amount equal to the interest on the funds, (not meaning thereby, that a large proportion of stock-holders do not indemnify themselves elsewhere, as proprietors of land, merchants, traders, and manufacturers, but to allow a sum adequate also to the annuities on land, salaries of office, &c.) a proportion equal to one-sixth of a fourth of the general taxation may be considered as positively taken out of the pockets of those who pay it. To obviate objection, let it be admitted that $\frac{1}{10}$th instead of $\frac{1}{24}$th is so taken. The remainder, about 47 to 48,000,000, is an annual augmentation to the price of commodities in Great Britain. Now, the aggregate price of these commodities cannot exceed the total income, or revenue, by means of which they are consumed, which, from the best judgement that can be formed of it from parliamentary documents, does not exceed 140,000,000, so that, of the *present* price of commodities, *one-third* taken on average, (some more, some less, according as they are more or less immediately affected by taxation,) must be considered as representing the taxes imposed since 1793; and one-third of the present price is, of course, equal to half the price of 1793.

If any doubt should be entertained, whether landholders, for instance, have really been able to indemnify themselves to this extent, and to raise an additional income equal to such an amount of taxation, I may at once refer to satisfactory documents in proof of it. In the Report of the Commissioners of Naval Inquiry, on Greenwich Hospital, is a statement of the rents of the Derwentwater estates, now possessed by the Hospital, shewing an increase, between the years 1790 and 1805, from £18,300 to £24,700, being one-fourth of the present rents; but the last four years, in which very considerable additions have been made to the rents, are not included. The average increase of rent on *arable* land, thoughout the kingdom, between 1790 and 1803, as returned to the Board of Agriculture, was £40 per cent. on the rents of 1790, or £28 per cent. on those of 1803, to which returns the same observation respecting the period not included will apply.

To what rise in the price of commodities does the Committee allude which is not justified by the multiplied operation of an increased public demand on the produce of the land and labour of the country, to the extent which has here been stated? The price of corn has fluctuated so much since the supply has, under the inconveniences of war, depended on importation, that it is become, except on very long averages, an unfit standard of comparison: as early as 1795 and 1796, I find the quartern loaf, for many months together, at 15*d.* and, as late as 1807, the average of the year not exceeding 11*d.* and 11½*d.* — in the course of a single year, and even in succeeding months, variations in price, on the average of the kingdom, of ⅓ and even ½ of the value of the commodity. The average price of wheat for the year 1800 was 112*s.* 8*d.* and, for the year 1802, 67*s.* 7*d.* — such fluctuations have obvious reference to supply and demand, and can in no degree be referred to corresponding variations, either in the cost of the article or the medium of payment.* Meat has fluctuated less in price than corn: the increase of price appears to have been progressive, from about 7*d.* to 10*d.* per lb. but has not exceeded the proportion resulting from the natural effect of taxation.

The metals which are the produce of British soil, of which the supply is always equal to the demand, might perhaps form a better standard of comparison: but, in this commercial country, it is difficult to fix on any commodity which is not affected by the circumstances of war or peace, as in the case of timber or hemp; comparative scarcity or superabundance, as tallow and coffee; want of demand, as in the case of East-India goods; or want of supply,

* I have extracted from the Gazette the weekly prices of grain in the five years preceding the restriction, from 1792 to 1796, and the five last years, from 1806 to 1810 inclusive, both periods including great fluctuations of price, but neither the extremes of the years 1800 and 1801.

	Wheat.	Barley.	Oats.
	s. d.	*s. d.*	*s. d.*
The average of the last five years is,	87 2	43 0	30 6
A deduction of these prices of $\frac{1}{3}$	29 0	14 4	10 2
would leave..................	58 2	28 8	20 4
The average of 1792 to 1796 is	57 6	34 0	20 6

but I do not think that any fair inference can be drawn from the result, because, throughout the whole period, the prices have been regulated more by importation than any internal circumstances.

as those from Italy and the Levant. Then, again, speculation intervenes, and raises exorbitantly the price of wool, the bubble bursts, and wool is an unsaleable commodity. A bad harvest occasions a large demand for sugar at home; a friendly disposition in Sweden carries all the surplus abroad. A good harvest closes the distillery against sugar; French influence shuts the Swedish ports against us, and sugar has no price. The price of wheat depends on intercourse with America; the distillery influences barley; the value of oats is regulated by importation from Holland. How, in this chaos, the Committee can discover the depreciation of our currency in the price of commodities I know not; yet, says the Report, "the prices of all commodities have risen, and gold appears to have risen in its price only in common with them. *If* this common effect is to be ascribed to one and the same cause, that cause can only be found in the state of the currency of this country." On this most extraordinary passage I shall only observe "that your *if* is a great peacemaker."

It is not possible to follow the subject of relative prices to any satisfactory point, without engaging in a very protracted investigation and a multitude of figures, which I wish to avoid; enough has been adduced to shew that an increase in the prices of commodities of nearly one-half on those current in 1793 is naturally accounted for, without assuming a depreciation of currency, and that, unless a pair of shoes, a hat, or a coat, which would, in 1793, have cost 8 *s.* a guinea, and 3 guineas, cost now more than 12 *s.* 31 *s.* 6 *d.* and four guineas and a half, the increase of price is not greater than may be naturally accounted for, from the effect of increased taxation.

Should any persons be disposed to pursue the inquiry farther, they will recollect that the effect on prices produced by taxation is exclusive of, and independent upon, such increase as may be occasioned by circumstances specially affecting particular commodities; as great scarcity compared with the demand, restraints imposed on introduction or exportation, or heavy direct duties, as in the case of Wine, Spirits, or Sugar. In adducing taxation as the cause of an increased price of commodities I am not certainly introducing any novel principle, but the more men of every rank have felt the necessity of augmenting their incomes, the more attention has been paid to obtain such increased income from land, the more operative has the principle become; and it does not appear that the Committee have allowed sufficiently, if at all, for its effect.

I shall only add a few observations on the recommendation of the Committee to Parliament, as the result of their inquiry.

This recommendation is conveyed in the shape of opinion, "That the system of the circulating medium of this country ought to be brought back with as much speed as is compatible with a wise and necessary caution to the original principle of cash-payments, at the option of the holder of Bank-paper." "According to the best judgement the Committee has been able to form, no sufficient remedy for the present or security for the future can be pointed out, except the repeal of the law which suspends the cash-payments of the Bank of England." And the Committee "suggest that the restriction of cash-payments cannot safely be removed at an earlier period than two years from the present time, as it would be hazardous to compel the Bank to pay in six months, should peace be concluded within that period, and would be found wholly impracticable." The Committee are, therefore, of opinion, "that, even if peace should intervene, two years should be given to the Bank for resuming its payments; but that, even if the war should be prolonged, cash-payments should be resumed by the end of that period."

Persuaded as I am that both the rate of exchange and price of gold are controuled at present by the foreign expenses of government, operating upon a small favourable balance, I cannot of course anticipate any difficulty in the resumption of cash-payments by the Bank, when those expenses shall have ceased. Nor, supposing them to continue, can I contemplate greater facility in resuming them at the expiration of two years than is now experienced. The Committee can hardly expect any increased activity in our manufactures from a reduction of the accommodation they have experienced; or an increased exportation to the continent as the effect of reduced prices; (presuming, as the Committee seem disposed to do, that such reduction is just and practicable;) because we see already that a profit of 3 and even 400 per cent. on colonial produce, on coffee particularly, the article most wanted in France, and most superabundant here, is not a lever powerful enough to obtain for it an introduction. Our imports consist, for the most part, of articles with which we cannot dispense, without abandoning altogether the contest in which we are engaged. If our imports are not diminished, our exports increased, or our foreign payments lessened, I do not see how the utmost stretch of inconvenience which, by reducing the circulation, the nation may be made to suffer, will improve the exchange or lower the price of gold. I could point out effects of a very different nature, which will unquestionably result from it. On former occasions, mercantile distresses improved the exchange, by inducing the merchants to draw bills on their correspondents abroad to raise money, which they would provide for by exports, even at a loss. But even this wretched shift cannot now be practised; there is no market on which bills are current to which goods can be sent.

Whilst offering their suggestions to Parliament no doubt the Committee had distinctly in view

The evils and inconveniences which they propose to remedy;

The mode in which the remedy will be produced by the adoption of the recommendation;

And the consequences with which that adoption will be attended.

These points are not, however, brought prominently forward in the Report, and we are left to discover, as we can, what the measure is intended to effect, and how it is to be effected. "A return to the ordinary system of banking" can alone, say the Committee, "effectually restore general confidence in the value of the circulating medium of the kingdom;"—"the serious expectation of this event must enforce a preparatory reduction of the quantity of paper;"—"and the anticipation of the time when the Bank will be constrained to open, may also be expected to contribute to the improvement of the foreign exchanges," which, the Committee informs us, "they have abundantly shewn the Bank to have the power of controuling." — On these intimations of the objects of the Committee it is obvious to remark, that the restoration of confidence is a work of supererogation: the Report had previously informed us that "want of confidence has no place in our present situation."—The Committee have admitted that the fall of the exchange was occasioned by political circumstances, operating on the commerce of the country, yet they anticipate its improvement from modifications of our currency. They say nothing about the price of bullion, which is expected, doubtless, to return when the Bank shall have sufficiently controuled the exchange; although "Mr. Locke and many other writers have clearly demonstrated, that the coins of any country can only be retained within it when the general balance of trade and payments is not unfavourable," (Lord Liverpool's letter to the

King, page 109,) and these effects are all to be produced by a reduction in the quantity of paper, although no attempt has been made to shew from whence any superfluity can be withdrawn. "The rate of wages of common country labour adapts itself more slowly to the changes which happen in the value of money than the price of any other labour or commodity; and the pay of some classes of public servants, if once raised, in consequence of a depreciation of money, cannot so conveniently be reduced again," such is the opinion of the Committee. Yet, in the midst of war, when those classes are numerous, when that labour is scarce, and the wages of both have adapted themselves very fully to the present value of commodities, the Committee recommend a forced reduction in the price of the produce of land and labour, from whence those wages are to be defrayed. That this is the intended effect of the reduction of Bank-paper will be readily understood and admitted by those who have attentively considered the principles of circulation laid down by the Committee. Let it be remembered also that the taxes are for the most part *fixed*, not proportional, rates; they, too, as well as the wages of labour, are adapted to the existing value of commodities, or rather the value of these has adapted itself to the rate of taxation. Nor is this reduction intended to be a trifling one: the Committee observe, that, in the present state of our circulation, to compel the Bank to pay specie in six months would be most hazardous, and would be found wholly impracticable. "In effecting so important a change, some difficulties must be encountered and some contingent dangers to the Bank must be carefully guarded against;" and, therefore, time is to be given to the directors to feel their way, and tread back their steps slowly, by a gradual reduction of their paper, which, on the principle of the Committee, will produce a fourfold reduction in the country-bank paper also: the effect on the agricultural and commercial interests of the country of such a curtailment of the usual means of circulation I pretend not to define.*

* Many persons may feel disposed to coincide with the Committee in their wish to reduce the amount of circulating paper, under the idea that the accommodation afforded by it to merchants and farmers tends to encourage speculation and enhance prices; this objection obtains no sanction from the Report; for the Committee is of opinion "that the largest amount of mercantile discounts by the Bank, if it could be considered by itself, ought never to be regarded as any other than a great public benefit, and that it is only the excess of paper-currency, thereby issued and kept out in circulation, which is to be considered as the evil."

I very much wish the Committee had not stamped with its authority a doctrine which requires far more consideration than they have bestowed upon it. Were the speculations in, and

Suppose by any means, as the effect of these measures, gold to return generally into circulation, what should we gain? We adopt an instrument of circulation most costly in place of one which costs nothing; being greatly in debt and little to pay withal, we wish to play at agriculture and commerce with gold counters, when paper ones answer our purpose to the full as well; and expend in the purchase of them a large portion of the produce of our soil and labour, the whole of which we find already inadequate to defray our foreign expenditure.

But this part of the subject is fully treated by Sir John Sinclair, and is out of the line of my practical observations.

My object has been to ascertain the soundness of the ground on which the Committee has founded its arguments; and, on a reperusal of the preceding pages, I appear to myself to have proved three things:

1st. That the propositions stated by the Committee, as the basis of their argument, are not generally true, and do not therefore form a solid foundation for the abstract reasoning of the Report:

consequent increased price of, tallow and wool in the last year maintained by increased circulation or by mercantile discounts to individuals? Must we admit that, if 3 millions now lent to government were repaid and lent out again to such speculators, it must necessarily prove a great public benefit?

2d. That the facts, where any are brought forward in support or illustration of the argument, are erroneously stated; and, when corrected, lead to opposite conclusions:

3d. That the effects we witness are sufficiently accounted for, by obvious and ordinary causes, and not necessarily referable to such as are speculative and undefined. And it occurs, as a general observation, that the Report does not convey the substance of the information acquired by the Committee, but has been framed under the influence of a judgement very early formed (see Rep. page 2.) on the subject referred to them, which, embracing in the objects offered to their consideration those points only which accorded with the intended references, would almost lead to the belief, that the Report had emanated from the school of those economists, of whom Mr. Playfair speaks, "who, not very attentive to facts, have established ingenious theories, and attempted to reduce every thing to a system, on which they reasoned till they became enthusiasts, incapable of appreciating any thing that did not conform to the theories they had laid down."—Pref. 12th edit. Wealth of Nations.

SUPPLEMENTARY OBSERVATIONS,

&c.

I HAVE been repeatedly asked, whether, as the result of the preceding Observations, I mean to impeach the truth of the principles respecting the theory of money and foreign exchange established by the Committee, and more fully explained and enlarged upon by Mr. Huskisson?

I will answer the question as directly as its circumstances admit.—But I desire to preface my answer by the remark, (which may perhaps remove the object of the question,) that the importance of what, in the preceding pages, I have offered to the public, would be in no degree lessened even by an unreserved admission of the accuracy of the principles assumed.

The Committee have, in their Report, brought forward a case, offered an opinion, and stated the grounds on which the opinion is formed. Exclusively of the errors which I have pointed out in the case itself, which, being rectified, leave, as I think, no case, I have conclusively shewn, that the facts assumed by the Committee, and on which their opinion is grounded, are misstated; that they were misinformed on all those points from which they inferred that the existing effects could not be ascribed to ordinary causes. When it is shewn, as is now acknowledged by Mr. Huskisson, that, "up to a late period, the foreign exchanges were not unfavourable, and the market-price of gold not materially above the mint-price;" when I prove, that, for several months prior to the date of the Report, the exchanges were little, if anything, below the natural limit of depression assigned by the Committee, it may at least be doubted whether a permanently unfavourable exchange, and a fall of 16 to 20 per cent. form the case to be argued. When I point out an error of 18 millions in the statement of the balance of trade and payments on which the Committee formed their opinion as to what ought to be the state of the exchange, it would be uncandid to consider the Committee as bound by that opinion: When I adduce, from the Appendix to the Report, evidence of a considerable reduction of country-paper, it cannot be necessary to discuss the merits of an argument founded on the presumption that it has enormously increased: When, by a reference to dates, it is proved, that the increased issue of country-paper, to which the Report alludes, preceded that from the Bank, by which the Committee supposed it to be occasioned; and when it also appears, that, as the Bank-issue increased, the country-issue diminished; the Committee would hardly wish to be considered as holding to the opinion that the quantity of the former necessarily regulates the amount of the latter.

My "Practical Observations" form, therefore, preliminary considerations to any discussion of principles; they affect the integrity of the Report, as applied to the particular case; the facts must be established before they can be reasoned upon; and the question respecting the accuracy or fallacy of the opinions and reasonings of the Committee, as set forth in the Report, and as most ably and ingeniously explained and illustrated by Mr. Huskisson, is deprived of its interest, as directly applied to the state of our currency; and the fact is not necessarily admitted or denied by me.

I do not, therefore, feel it necessary to take up the gauntlet, which Mr. Huskisson has thrown down, and to offer him "either an admission of the principles which he states, or a clear and explicit exposition of my own." It will be time enough to do this when facts are agreed upon, when we clearly understand the case to which the reasonings are to be applied; but if, by the "fair and equal footing" on which those persons who publicly attack the Repo[illegible] of the Committee are summoned to meet Mr. Huskisson, it is meant that I should lay down the arms which are familiar to me, and adopt those he uses, in which I am unpracticed, and which are too weighty for my hands, I shall, under any circumstances, decline the meeting. I consider myself at liberty to attack the Report, wherever I find it vulnerable; I will choose my own ground, fight at my own time, and use weapons of my own selection.—Whilst, to pursue the metaphor a little farther, Mr. Huskisson has drawn forth, in support of the Committee, his truly formidable powers, and disposed them with the judgement and foresight of an experienced commander, I, like an active partisan, have traversed his position, and have occupied and destroyed the magazines and supplies on which he was encouraged to depend. I therefore contemplate with admiration, but without fear, the extent of his line, the skill of his disposition, and the precision of his manœuvre: he may march from depreciation to excess, from excess to depreciation; he may advance single-handed into the field, or form a junction with the Committee; he may send forward the Report to clear his front, or place it in his rear as a reserve; he may unfurl the banners of system, and be hailed its invincible defender; yet the sinews of his warfare are withdrawn, and the fate which awaits the Report " can neither be averted nor delayed."

For the satisfaction, however, of those who may think that I refuse my assent to propositions which are indisputable, and that I therefore attempt to prove too much, I will endeavour to shew how far I assent to, and how far I dissent from, the principles of the Report. I admit them, as stated by Mr. Huskisson, so far as they consist with experience and accord with the opinions of the most approved writers on political economy; but in some cases I refuse my assent to them, because not so sanctioned; in others, I concur in the principle, but do not admit the justness of its application: and I dissent from the general conclusion of the Committee, on a special ground, which I will state.—When, for instance, Mr. Huskisson assumes, "as a proposition beyond the reach of controversy," that, if one part of the currency of a country (provided such currency be made either directly or virtually legal tender, according to its denomination) be depreciated, the whole of that currency, whether paper or coin, *must* be equally depreciated." (Preface, p. vii.) I refuse my assent to a proposition, not altogether unimportant to Mr. Huskisson's general argument, because it is at *variance with experience.*

The extraordinary depreciation of the silver coin, in the reign of King William, did not depreciate the gold: on the contrary, the guinea, worth 21 perfect shillings, passed currently (as noticed in the Report) for 30*s.* yet silver was not only legal tender, but formed the standard of value, and circulated in the proportion of 7 or 8 to 4 to the amount of gold.

Again, when it is assumed, in the words of Mr. Huskisson, "That if the quantity of gold, in a country whose currency consists of gold, should be increased in any given proportion, the quantity of other articles, and the demand for them remaining the same, the value of any given commodity, measured in the coin of that country, would be increased in the same proportion," I must risk being classed amongst persons "entirely at variance with the first principles of political economy," by rejecting this proposition as *contrary to authority.*

Adam Smith treats as a "popular notion" the opinion, "that as the quantity of precious metals naturally increases with the increase of wealth, so their value diminishes as their quantity increases;" and he "endeavoured to shew," and was therefore of opinion, "that the increase in the quantity of the precious metals, which arises, in any country, from an increase of wealth, has no tendency to diminish their value."—Book 1. cap. xi.

This principle is not, therefore, sanctioned by the opinion of the most approved authority, unless allowance be made for the increase of wealth; of which Mr. Ricardo seems to have been aware. (Page 2, 1st edit.)

In other cases, where the principle is just, I may hesitate at the application. The truth of Mr. Huskisson's 5 or 6 statements, in pages 12 and 13, (2d edit.) respecting the value of a pound of gold, in gold and in paper, may safely be admitted, without admitting the inference that the paper is depreciated in proportion to the difference. The inference may be denied, on the argument offered by Mr. Huskisson, "That gold is not the basis of our currency at present." This he considers as a proposition which no man who ever looked at the subject will attempt to maintain; yet I find it maintained by many who have considered the subject very attentively, and it derives considerable sanction from the Report itself.—"It may indeed be doubted," the Committee observe, "whether, since the new system of the Bank-of-England payments has been fully established, gold has, in truth, continued to be our measure of value."—(Page 7.) Applying to this subject the most approved theories, I incline to the belief that it has not.

According to the opinion of all writers on the theory of money, two metals cannot, at the same time, form the standard measure of the value of other things. Mr. Locke observes, "That two metals, as gold and silver, cannot be the measure of commerce both together in any country." Mr. Harris, in his essay on money and coins, adopts and explains Mr. Locke's principle—" But silver and gold, with respect to one another, are, like commodities, variable in their value, according as the plenty of either may be increased or diminished: it is therefore impossible that both these metals can be a standard measure of the value of other things at the same time." With these writers agrees Sir W. Petty. Lord Liverpool shews that their opinion coincides with the evidence of facts and the clearest deductions of reason, and concludes, as "a certain and incontrovertible principle, that coins, which are to be the principal measure of property, can be made but of one metal only."—(Earl of Liverpool's Letter to the King, page 114.) This is so clear as to require no illustration. If one be chosen as the standard of value, the other is a commodity, and its value is affected by those causes which usually affect the price of commodities.

Gold has, for a century past, been the standard to which, in England, all price has been referred; and, as Mr. Huskisson states, "The law of England, before the year 1797, distinctly secured to every man that he should not be compelled to take, in satisfaction for a legal debt, for every guinea of that debt, less than 5 dwts. 8 grs. of gold of standard fineness; and, as distinctly, that he should not be obliged to receive, as the representative of a guinea, or a guinea's worth, any article or thing which would not purchase or procure that quantity of gold." This is indisputable; but it cannot be said that the fact is so since 1797. At that period, the legislature of the country saw fit to determine, that the promissory notes of the Bank of England should be, virtually, satisfaction for a legal debt, and be taken in payment of taxes to the government, and of interest to the public creditor: they are, therefore, unquestionably become the measure of commerce, and the money of account; and if, as has been shewn, two metals cannot, at one time, form this measure, neither, I think, can either of them, when the law has authorised another. Mr. Locke's principle, argued upon by Mr. Ricardo, the Committee, and Mr. Huskisson, that an ounce of gold is, and ever must be, of the same value as another ounce of gold of the same fineness, is abstractly true; but it is not justly applied as an argument to prove depreciation of currency, unless the currency in which it is paid is gold also. That the gold contained in a guinea is now of more value than $\frac{21}{40}$th parts of a two-pound note is perfectly clear; but if gold be not, any more than silver, the standard of value, there is nothing extraordinary in this. In the ten years preceding 1793, the price of silver, in dollars, varied 19 per cent. and in a single year 13 per cent. — (See Lord Liverpool's Letter, and the authority.) Silver was then a commodity: if gold be now considered so, there is nothing surprising in its present value, for the price of gold, as a commodity, in 1795, when the Bank paid £4 : 8 per ounce for it, was nearly as high as in 1809. Whether this state of our currency be a convenient one; how near it approaches to paper-currency, under restrictions which limit its amount to the wants of circulation, without reference to those of Government; or what degree of resemblance it bears, in practice, to the Bank-money of Hamburgh or Amsterdam; are questions distinct from that under consideration. If gold be not the standard of value, its increased price, beyond the standard or mint-price, does not necessarily prove depreciation in that which forms the currency; and, as I think, with the Committee, that there is ground for doubt and hesitation at least, in this respect, I consider the proposition respecting the price of gold, on which so much reliance is placed, as one of those in which, though I admit the principle, I hesitate at the application.

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

Again, I admit unquestionably as a principle, that excess produces depreciation, be the commodity what it may; but I cannot therefore admit the existence of depreciation, unless I have evidence of excess. I may also admit depreciation to prove excess; but then depreciation must be shewn; and in neither case is such evidence adduced. On the subject of the excess of circulating medium, too much is generally assumed and admitted. It seems to be commonly supposed, that, of late years, the amount has very much increased; which is more a subject of doubt than I was aware of. By comparing Sir William Davenant's estimate of the gold coin, in 1696, with the ascertained amount of the silver recoined, it appears, indeed, that the specie in circulation, at the latter end of King William's reign, was only between 11 and 12 millions; to which the Bank-notes, £1,500,000, being added, make a total of about 13 millions, exclusive of the Goldsmith's notes, much spoken of in the Memoirs of the times; but, in 1774, after the recoinage of gold, the amount of gold in circulation is estimated, on very sufficient grounds, by Lord Liverpool, to have amounted to £25,447,000. If, at that period, the Bank-notes in circulation be taken at only 8 millions, the currency will have amounted to 33 millions and upwards, exclusive of country bank-paper. Between 1774 and 1793, the coinage of *foreign gold* amounted, on average, to 1 million per annum; and Lord Liverpool was inclined to estimate the gold currency at 30 millions, so late as 1805. I see reason not to admit this opinion to the full extent; and I do not estimate the gold currency in 1793 beyond that of 1774—namely, 25 millions. The Bank-notes then in circulation being 11 millions, on average, the currency, exclusive of country-notes, was 36 millions.

At present, the Bank-paper forms the leading article of - -	21 millions
I can hardly estimate at anything the gold coin now in circulation; but, to obviate cavil, it may be supposed	2 millions
To render the present circulation equal to that of 1793, we must therefore estimate the increase on the issue of country bank-paper at	13 millions
	36 millions

I think it not difficult to ascertain nearly the amount of country-paper; and, on my calculation, 13 millions form about half of it:*—the

* I form the calculation on the supposition, that every stamp issued for a note above £2 : 2 circulates the full time allowed by law, namely, three years.

That every note of lesser denomination, for which a stamp is issued, remains out four years, which I imagine exceeds the truth.

The number of stamps issued for the higher classes, in three successive years, indicates, therefore, the greatest number of notes which can by possibility be in circulation; and I adopt the estimate of the Committee of £5 for the notes between £2 : 2 and £5 : 5, and of £10 for the notes between £5 : 5 and £20.

The total issue of stamps for notes of £1 and £2, for the number of years which they may be supposed to circulate, indicates the amount of these classes; and in the *denomination* of each note in these classes there can be no error.

The issue of stamps for notes thus taken, at £5 and £10, for three years, ending October, 1807, amount in number to 2,139,470 for the former, and 769,600 for the latter; but, as applied to the present purpose, it is fitter to take the three years to October, 1809.

question then remains, Whether, since 1793, the country banks have more than doubled their issues? If they have not, the circulation of 1809 did not exceed that of 1793, and the increased wants of circulation, from the increase of wealth and the increased price of commodities, has been met by the economy in the use of money, so much insisted upon in the Report. Mr. Thompson, a member of the Committee, has offered an opinion, that the paper circulated in the north of England did not, in the beginning of 1810, exceed by more than one-fourth that circulated before the alarm of 1796. If his estimate be generally correct, the medium of circulation is now

Within this period, the issue for the class of £5 notes is - -	£2,042,344	or 10,211,420
And for the class of £10 notes	722,479	7,224,790
For the reasons assigned by theCommittee the last year cannot be taken into the amount for the notes of £1 and £2.		
In the four years ending October, 1808, the issue of stamps for notes of £1 is	9,754,400	9,754,400
And for the notes of £2 -	237,200	474,400
Making the total of stamped country-paper in existence		27,665,010
A considerable deduction must, of course, be made for that proportion at all times in the hands of the proprietors, not in circulation, which, estimated at one-tenth, or about - - -		2,665,010
Leaves a real circulation of country-notes of		£25,000,000

It deserves notice, that, including the year 1807, in both calculations, for the notes of £5 and £10, the circulation of the three years to October, 1807, exceeds that of the three years ending October, 1809, in these classes alone, by £957,000.

less than before the restriction-bill took place.—(*Report, page* 115.) No calculation to establish excess has yet been adduced sufficiently authentic to invalidate the result of this statement; and the *prima facie* evidence is therefore against the theory of excess.

Nor is any endeavour used to ascertain depreciation. Mr. Huskisson notices, indeed, in a note, an increased produce of the duty on sales by auction, in 1809, of 30 per cent. beyond that of 1807, "although certainly, in the last year, (1809,) there was," Mr. Huskisson observes, "no pressure in the country to force property into the market." There are those who differ from Mr. Huskison in this opinion; and the value of this *item* of evidence is exactly proportioned to the degree in which it is more probable that property, land in particular, should have increased in value 30 per cent. in two years, against the evidence of our senses, than that the quantity brought to sale should have increased, contrary to Mr. Huskisson's opinion.

The preceding instances, in which the principles, stated by Mr. Huskisson as the ground of his argument, are at variance either with experience or with authority, or in which their application is arbitrary and unsanctioned, are selected from a considerably extended minute of objections which occurred to me on the perusal of his pamphlet, because they sufficiently explain and justify, without leading into much detail, my hesitation to deny or admit generally the principles and propositions set forth by Mr. Huskisson, in illustration of the Report: they justify, also, my suspicion of the correctness of a theorist who has so far forgotten the dicta of authority as tauntingly to ask the *practical men:* "Under what class of theorists, or order of politicians, they would have ranged any man, who, before the year 1797, should have ventured to recommend, as a safe system, the principles on which the Bank now professes to regulate its practice," and who was not aware, that the system of the Bank is the system of Adam Smith, and that their principle of conduct was stated to the Committee in the words of his printed volumes. See Mr. Huskisson's note, page 30, and page 63, of preceding observations.

I will now offer the special ground on which I dissent from the general conclusion of the Committee, that the present state of the exchanges and price of bullion is attributable to the depreciation of paper; and why I rather refer those effects to the state of trade and payments.

It is essential to the establishment of an hypothesis, that it account not only for the phenomena which it is framed to explain, but for all others under apparently similar circumstances; if Kepler's law of planetary motion, "that the squares of the times of the revolutions are to each other as the cubes of the axes" had not been found equally applicable to the Georgium Sidus, which he never saw, as to those planets from whose motion he deduced the proposition, it might have been considered an interesting fact, or an ingenious hypothesis, but it could not have been received as an universal principle or a fundamental law. Thus although the existing circumstances of our exchange may be accounted for on the principle of excess of currency, (admitting it to exist,) yet this is not therefore to be assumed as the cause, unless similar phenomena on other occasions can be referred to the same principle.

It appears to me impossible to explain all the phenomena connected with this case on the principles of the Committee and very easy to do so on those which I adopt.

The low exchange and high price of bullion, being supposed attributable to excess of currency, producing depreciation and an increased price of commodities, I propose the following problems for solution, taken from the state of exchange and including the whole period from 1790 to the present time.

1st. The fall of the exchange, from an average of 6 per cent. in favour, from 1790 to 1795, to 3 per cent. below par, in 1795 and 6, with an equal circulation of 11 millions of Bank-paper, convertible into specie on demand, and the advance of the exchange to 11 per cent. above par, on average in 1797 and 1798, the circulation being increased to 13 millions and not so convertible.

2d. The fall of the Exchange to 6 per cent. below par, and gold 9 per cent. above the mint price in 1800 and 1801, the Bank circulation rather above 15 millions, and the advance to 3 per cent. above par, on average of 6 years, from 1803 to 1808, and gold nearly at the mint-price, with an augmented circulation of 17 to 18 millions.

3d. The fall of the exchange, from 5 per cent. above par, in July, 1808, to 10 per cent. below par, in June, 1809, the Bank circulation being the same in both instances.

4th. The gradually increasing price of commodities, during the American war, when the circulation was gold, and during the 6 years from 1803 to 1808, when the exchange was in favour.

I am unable to solve these problems, on the principles of the Report, without admitting such a variety of exceptions as is destructive to them. They are solved by reference to the actual circumstances of one branch of our trade, with an accuracy of which I was not aware, until I had brought into one point of view the facts contained in the following table.

This table contains in one column the price of wheat in England and Wales, for every year since 1790, extracted from the Appendix to the Report, No. 71: and, in the two other columns, indications of the variations of the exchanges, as favourable or unfavourable, from Mr. Mushett's Tables.

Wheat per Quarter.			Exchange in favour.	Exchange below par.
1790	53	2	Exchange 5 or 6 per cent. in favour till the spring of 1795.	
1791	47	0		
1792	42	11		
1793	48	11		
1794	51	8		
1795	74	2		Below par till latter end of 1796.
1796	77	1		
1797	53	1	Greatly in favour till the Autumn of 1799.	
1798	50	3		
1799	67	6		
1800	113	7		5 or 6 per cent. below par until the middle of 1802.
1801	118	3		
1802	67	5		
1803	56	6	In favour, with the exception of a few months between the harvest of 1805 and summer of 1806.	
1804	60	1		
1805	87	10		From 5 per cent. above to 2 per cent. below par.
1806	79	0		
1807	73	3		
1808	79	0		
1809	95	7		Below par from November, 1808.
1810 about	105	0		

It is evident, from the bare inspection of this table, that the fluctuations in the exchange have exactly conformed to those in the price of wheat, and consequently to the importation, the extent of which has been regulated by the price. I infer that although the demand for British commodities abroad has been found adequate to meet the foreign expenses of government when the price of bread-corn is moderate, it is unequal to that object, when a sudden and urgent call for large supplies of corn is super-added; and my opinion is strengthened that the present state of the exchange is an effect of the foreign expenses of government, operating upon a small favourable balance of trade, according to the common acceptation of the expression. The three first problems which have reference to the exchange are thus fairly resolved; the 4th meets its answer in the ordinary effects of progressive taxation, and increasing wealth.

Now it is a rule, in philosophising, laid down by Sir Isaac Newton, and adopted by his followers, not to admit more causes than explain the phænomena, and to refer effects of the same kind to the same causes. The established causes solve adequately all the problems, and I am not prepared, therefore, to admit the new one.

Rejecting, consequently, the cause assigned by the Committee and Mr. H. for the disease under which the exchange labours, I am not careful to analyze the remedies suggested; which I deem also the less necessary because here again Mr. Huskisson, and, therefore, I suppose, the the Committee, has proceeded under an evident mistake.—In recommending the resumption of cash-payments (which would gratify me personally more, perhaps, than most others) they were impressed, it seems, with the belief "that, as the Bank soon after the restriction bought and imported a very considerable supply of gold, and has since issued very little, that it is, therefore, actually possessed of a very large stock of gold." It appears to have escaped Mr. Huskisson's recollection that, as early as Jan. 1799, the Bank gave notice to the speaker of the House of Commons of their intention to pay in specie all fractional sums under £5, and all notes under £5, dated prior to July, 1798: — and it is shewn by the Appendix to the Report, that, since the period of restriction, they have coined, at the mint, 9 millions of gold, and stamped above 1 million sterling value of dollars, the whole of which, and a still larger sum, has been issued to the public, (a fact which places some of the points under dicussion in a new light); and my opinion therefore is, that, at present, the Bank possess but a moderate stock of the precious metals.

If they really possess a large one, or only to the extent of 6 or 7 millions, the best use they can make of it is, as I think, to call in all the notes under £5, and not re-issue any of this description; the continuance of gold in circulation depends much more on the denomination than on the amount of notes; this is an acknowledged principle. But, be this as it may, the Committee gave their opinion under an erroneous impression, and might probably alter it were the case again before them.

I will not lengthen these observations: my object is to shew that no man, who reads with attention, and, in any degree, understands the subject, can undertake directly to answer the question, whether he admit the principles of the Report: much is true, much appears to be erroneous; abstract truth is mixed with practical error; and it is, I think, a needless task to endeavour to separate them until it is shewn that the admission by the Committee, (page 13,) "That if the supply of bills drawn abroad, either by the agents of government or individuals, is disproportionate to the demand, the price of them in foreign money falls, until it is so low as to invite purchasers," does not, under the corrected statement of our trade, which I have exhibited, sufficiently explain and account for effects we witness.

THE END.

Galabin and Marchant, Printers,
Ingram-Court, London.

7. AMERICAN CANDOUR, being a Tract lately published at Boston, entitled an Analysis of the late Correspondence between our Administration and Great Britain and France, with an Attempt to shew what are the real Causes of the Failure of the Negociation. Price 3s. 6d.

8. The Stocks Examined and Compared, or a Guide to Purchasers in the Public Funds, containing an Account of the different Funds, from the Times of their Creation, with Statements of the National Debt, a View of the Progress of the Sinking Fund, and an Account of the American Funds, by William Fairman, Life-Accomptant of the Royal Exchange Assurance, 1 vol. 8vo. boards. Price 6s.

9. Tables, formed upon a New and Easy Principle for calculating the Value of Stocks and Annuities and for a ready Dispatch of Business in the Public Funds, by William Blewert, 2d edition, improved, 1 vol. bound. Price 10s. 6d.

10. Essai sur le Systeme Militaire de Bonaparte, suivi d'une courte Notice sur la Révolution Française, et le Couronnement de sa Majesté Corse, par C. H. S. Officer d'Etat-Major Moscovite, 1 vol. sewed. Price 7s.

11. Hamlet Travestie in three Acts, with Annotations by Dr. Johnson and George Steevens, Esq. and other Commentators, 1 vol. 12mo. boards. Price 5s.

12. The Hydro-Aëronaut, or Navigators Life-Buoy; being an effectual Method of preventing the Loss of Lives by Drowning, in Cases of Shipwreck and others, by Thomas Cleghorn, 1 vol. 12mo. boards. Price 5s.