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MINOR PAPERS
ON THE
CURRENCY QUESTION

DAVID RICARDO

LONDON: HUMPHREY MILFORD
OXFORD UNIVERSITY PRESS

**MINOR PAPERS ON THE
CURRENCY QUESTION
1809—1823**

**BY
DAVID RICARDO**

Edited with an introduction and notes

**BY
JACOB H. HOLLANDER**

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INTRODUCTION.

The recovery and publication, in 1928, of the long missing and much desired manuscript of David Ricardo's "Notes on Malthus" was welcomed by close students of the Ricardian economics, as filling gaps and as clearing doubts in the doctrinal differences of its chief figures. In conjunction with the "Notes on Malthus" a considerable body of additional Ricardo material, manuscript and printed—referred to below as "Ricardo MSS."—was brought to light. This matter is now made accessible through the continuing courtesy of Frank Ricardo, Esq., of Bure Homage, Christchurch, Hants., a great grandson of the economist.

The Ricardo MSS. include some items of purely private interest as well as some routine correspondence etc. belonging to the weeks immediately preceding Ricardo's death (September 12, 1823). Beyond this the material centres about the currency question, to a degree at least, that warrants the title of the present volume. The condition of the material is various. Some of it is clearly typed and paged. A considerable part is almost scrap-like, and the editorial task of identification and assignment has presented unusual difficulties.

It has always been a matter of perplexity to students of Ricardo's currency writings that the economist should have taken no more active part in the Bullion controversy than appeared to have been the case. Malthus's critique of "The High Price of Bullion" in the *Edinburgh Review* (February, 1811) provoked a reply inserted as Appendix to the Fourth Edition. The "Reply to Bosanquet" was avowedly a rejoinder to what McCulloch described as "the mazy intricacies of practical detail" ("Works", **xxi**). But with these exceptions there has been no evidence of authorship. In the months between the issue of the Bullion Report, and the publication of Bosanquet's semi-official challenge, a period marked by the most active controversy, Ricardo's pen seemed to have rested.

It now appears that such was not the case. Ricardo's *Morning Chronicle* letters on "The Price of Gold"—the authorship of which was promptly identified—appeared in August-November, 1809; the Introduction to "The High Price of Bullion" was dated December 1, 1809; the Bullion Committee was appointed on February 19, 1810; Muesel's "Enquiry into the Bank Restriction Bill" appeared soon after ('this tract preceded the publication of the Bullion Report'; cf. McCulloch, "Literature of Political Econ-

omy", p. 173); and the Bullion Report itself was presented on June 8, 1810 ". . . very clumsily and prolixly drawn; stating nothing but very old doctrines on the subjects it treats of, and stating them in a more imperfect form than they have frequently appeared in before . . . a motley composition by Huskisson, Thornton and myself" (Horner, "Memoirs", vol. ii, p. 47).

No mention was made in the Bullion Report of Ricardo's—or Munschet's—prior exposé. The omission may have been dictated by expediency or be assignable to oversight. Years later Joplin recorded, "I once had a conversation with Mr. Ricardo on the subject, and he did not appear to think that he had been rightly treated" ("Analysis and History of the Currency Question", 1832, p. 9; cf. F. A. Walker, "Money", 1883, p. 353 n.). A color of truth is lent to this reproach by Horner's belated intention, communicated (July 16, 1810) to Francis Jeffrey, then editor of the *Edinburgh Review*: "I will do a short article for you this time, to do justice to Mr. Ricardo and Mr. Munschet who called the public attention to this very important subject at the end of last year" ("Memoirs", vol. ii, p. 51). But the purpose was never realized. Even the article in the *Edinburgh* of August, 1811 ('Pamphlets on the Bullion Question'), which Dr. James Bonar ("Malthus and his Works", p. 285 n.) inclines to ascribe to Horner, contains no other reference to Ricardo than a brief approval of the early version of the 'economical and secure currency'.

Public attention was however less inert than Horner assumed. Ricardo's joint—perhaps major—part was promptly credited, and in this judgment posterity has increasingly concurred. Impeccable or otherwise as the Bullion Report may be, responsibility for the essential doctrines of what Smart has described as "a great historical document" ("Annals", p. 254 n.) has always been given Ricardo.

Certainly Ricardo did not sulk in his tent. He wrote to Horner in criticism of a tepid parliamentary presentation. He made running comment upon the text of the Bullion Report. He published three letters (heretofore unidentified) in the *Morning Chronicle* on the Report itself, on Sinclair's apology and on Randle Jackson's speech. He dissected Vansittart's "Propositions" and he analyzed Trotter's, Huskisson's (missing), Copleston's, and Rutherford's tracts. "It grieves me to see so much labour and sweating about this Bullion Report"—spattered one robust member of the House of Commons, who believed that "we can make coin of leather or oyster shells" (Hansard, xx, 139). The

Bullion Committee might rest on its dignity and Horner might be held in leash by political expediency. Ricardo did not propose that "the true doctrine" should be discredited by default.

With the further evidence here presented, the explanation ventured some years ago as to why the Bullionist doctrine should figure in the history of economic thought as a distinctively Ricardian doctrine, may be repeated with even greater confidence: "A theory which had a distinguished parentage was refurbished, defended from doctrinal attacks, justified by contemporary events, vitalized by urgent timeliness, and vindicated against current criticism. A standard was planted, the field cleared and an alert and resourceful champion held the lists."

In one other particular, the Ricardo MSS. in aggregate are an important contribution. It has been conventional to regard Ricardo's opinions as shaped largely by his experience as a man of affairs, with slight relationship of indebtedness to or even acquaintance with other economic writings. A distinct service of the Ricardo MSS. is to correct this tradition. To a far greater degree than had been supposed Ricardo appears herein as a reader of economic texts. The "Wealth of Nations", as in the case of Dugald Stewart, Say and Malthus, was his starting point, and controversial need supplied the later momentum. But a growing interest in economic and political philosophy bridged the interval. Ricardo might lament to Malthus "My acquaintance lies so little amongst political economists" ("Letters to Malthus", p. 62); but this certainly did not apply to what they had written.

Ricardo moreover appears as a careful reader. If the book lay within his special interest he was likely to make a running critique. If it were more general, his habit was, instead of pencil interlineation or marginal annotation, to copy off—in a 'commonplace book', on a single sheet, on the verso of an unimportant letter—sometimes with comment; as often without—the passage that appeared to him faulty, or that attracted him by soundness of reasoning or forcefulness of statement. The practice was begotten of his intellectual habit; it was nurtured by his zeal as controversialist; it matured with his parliamentary activity. He was in no sense a man of letters. But few men have read a limited number of books to greater advantage.

I.

NOTES ON JOHN LOCKE'S "RAISING THE
VALUE OF MONEY" (1695)

EDITORIAL NOTE

Unlike Adam Smith, Ricardo may be supposed to have had, at the outset, no systematic acquaintance with older economic literature. Even after an almost chance occurrence had led him through perusal of the "Wealth of Nations" "to acquire a taste for the study" ("Adam Smith, 1776-1926," Chicago, 1928, p. 49) he carried on no sustained doctrinal inquiry—such as Francis Horner and his fellow students, under the stimulus of Dugald Stewart's "separate course", pursued in Edinburgh. Writing, reminiscently, to Hutches Trower in 1818, Ricardo recalled ("Letters to Trower," pp. 45-46): "I remember well the pleasure I felt, when I first discovered that you as well as myself was [*sic*] a great admirer of the work of Adam Smith and of the early articles on Political Economy which had appeared in the Edinburgh Review." Even as late as 1822, long after "Everything that has since occurred has stimulated me to give a great deal of attention to such subjects: first, the Bullion Controversy, and then my intimacy with Mill and Malthus, which was the consequence of the part I took in that question"—Ricardo referred to Dudley North's "Discourses on Trade" (1691), with the wondering comment: "I had no idea that anyone entertained such correct opinions, as are expressed in this publication, at so early a period" ("Letters to McCulloch," p. 126). That which interest in general principles left quiescent, the specific issues of 1809-11 evoked. Locke's classic tract had been referred to by Sir James Steuart, cited repeatedly by Adam Smith and used throughout by Lauderdale. By these familiar channels we may reasonably suppose that Ricardo was led back to Locke's text, when controversial occasion arose.

Ricardo's "Notes" are verbatim extracts, with slight copyist variations, jotted down either as part of a running comment or as detached memoranda, upon sheets included in the Ricardo MSS., without title, page references, quotation marks, or critical comments.

[NOTES ON LOCKE'S "RAISING THE VALUE OF MONEY," 1695]

[Pages 4-5].¹ Some [men]² are of opinion, that this measure of commerce, like all other measures, is arbitrary, and may at pleasure be varied, by putting more, or fewer grains of silver, in pieces of a known denomination, v. g. by making a penny, or a shilling lighter, or heavier in silver, in a country where these are known denominations of pieces of silver money. But they will be of another mind, when they consider, that silver is a measure of a nature quite different from all other. The yard, or quart men measure by, may rest indifferently in the buyers or sellers, [hands]³ or a third person's hands, it matters not whose it is.

But it is not so in silver: it is the thing bargained for, as well as the measure of the bargain; and in commerce passes from the buyer to [the]³ seller, as being in such a quantity equivalent to the thing sold: and so it not only measures the value of the commodity it is applied to, but is given in exchange for it, as of equal value. But this it does (as is visible) only by its quantity, and nothing else.

[Pages 26-28]. Those who said bullion is [raised]³ risen, I desire to tell me, what they mean by risen? Any commodity, I think, is properly said to be risen, when the same quantity will exchange for a greater quantity of another thing: but more particularly of that thing which is the measure of commerce in that country. And thus corn is said to be risen among the English in Virginia when a bushel of

¹The full title of Locke's tract is "Further Considerations concerning Raising the Value of Money. Wherein Mr. Lowndes's Arguments for it in his late Report concerning *An Essay for the Amendment of the Silver Coins*, are particularly Examined" (London, 1695). A 'Second Edition Corrected' was included in Locke's "Several Papers relating to Money, Interest and Trade, etc." (London, 1696). Lauderdale's references to Locke's tract, which may have been Ricardo's avenue of approach, are to "Folio edition, 1759." The page references, here inserted by the Editor, are to the first edition (1695).

² Deleted.

³ Inserted.

it will sell, or exchange for more pounds of tobacco; amongst the Indians, when it will sell for more yards of wampompeal, which is their money; and amongst the English here, when it will exchange for a greater quantity of silver than it would before. Rising & falling of commodities, are always between several commodities of distinct worth. But no body can say that tobacco (of the same goodness) is risen in respect of itself. One pound of the same goodness will never exchange for a pound & a quarter of the same goodness. And so it is in silver: An ounce of silver will always be of equal value to an ounce of silver: nor can it ever rise, or fall, in respect of itself; an ounce of standard silver can never be worth an ounce and a quarter of standard silver; nor one ounce of uncoined silver exchange for an ounce and a quarter of coined silver: the stamp cannot so much debase its value. Indeed the stamp, hindering its free exportation, may make the Goldsmith (who profits by the return of money) give one one hundred and twentieth, or one sixtieth, or perhaps, sometimes, one thirtieth more, that is $5/21\frac{1}{2}$, $5/3$, or $5/4$ the ounce, of coined silver for uncoined, when there is need of sending silver beyond seas; as there always is, when the balance of trade will not supply our wants, & pay our debts there. But much beyond this the Goldsmith will never give for bullion; since he can make it out of coined money at a cheaper rate.

[Pages 70-71]. A penny is a denomination no more belonging to eight than to 80, or to one single grain of silver: and so it is not necessary that there should be sixty such pence, no more nor less, in an ounce of silver, viz. twelve in a piece called a shilling, and sixty in a piece called a crown; such like divisions being only extrinsical denominations, are every where perfectly arbitrary. For here in England there might as well have been twelve shillings in a penny, as twelve pence in a shilling, viz. the denomination of the less piece might have been a shilling, and of the bigger a penny. Again the shilling might have been coined ten times as big as the

penny, and the crown ten times as big as the shilling; whereby the shilling would have but ten pence in it, and the crown an hundred. But this, however ordered, alters not one jot the value of the ounce of silver, in respect of other things, any more than it does its weight. This raising being but giving of names at pleasure to aliquot parts of any piece, viz. that now the sixtieth part of an ounce of silver shall be called a penny, and to-morrow that the seventy fifth part of an ounce be called a penny, may be done with what increase you please. And thus it may be ordered by a proclamation, that a shilling shall go for twenty four pence, an half crown for sixty instead of thirty pence & so of the rest. But that an half crown shall be worth, or contain sixty such pence, as the pence were before this change of denomination was made, that no power on earth can do.

II.

NOTES ON SIR JAMES STEUART'S "PRINCIPLES
OF POLITICAL OECONOMY" (1767)

EDITORIAL NOTE

Sir James Steuart was one of "the most approved writers on political economy" ("High Price of Bullion," 1810, p. 1) to whose views on money Ricardo turned for support of his own doctrines. The "Notes"—part excerpts, part summaries—here reproduced from scattered memoranda, without title or page references, in the Ricardo MSS., may be fragments of a full critique. The first sheet bears the pagination notation "8," and the earliest citation is from page 534 of vol. i. More likely the "Notes" are extracts made by Ricardo in a deliberate examination of Steuart's text, to meet controversial need. The citation from vol. ii, p. 89 (*infra*, p. 11) was used in the *Morning Chronicle* letter of November 23, 1809 ("The Price of Gold," ed. Hollander, 1903, p. 25); and that from vol. i, p. 534 (*infra*, p. 9), in the "High Price of Bullion," p. 19.

[NOTES ON STEUART'S "PRINCIPLES OF POLITICAL OECONOMY", 1767]

[Vol. I, p. 534]. Altering the standard (that is raising or debasing the value of the money unit) is like altering the natural measures or weights. This is best discovered by comparing the thing altered with things of the same nature which have suffered no alteration. Thus if the foot of measure was altered at once over all England, by adding to it, or taking from it, any proportional part of its standard length, the alteration would be best discovered, by comparing the new foot with that of Paris, or of any other country, which had suffered no alteration. Just so, if the pound sterling, which is the English unit, shall be found any how changed, and if the variation it has met with be difficult to ascertain, because of a complication of circumstances, the best way to discover it will be to compare the former and the present value of it with the money of other nations which has suffered no variation. This the course of exchange will perform with [the]¹ greatest exactness.

[Vol. I, p. 569^{2a}]. It may be asked, how, at this rate, any silver [deleted] at all has remained in England? I answer, that the few weighty shillings which still remain in circulation, have marvellously escaped the hand of the money-jobbers.

[Vol. I, p. 590]. In a trading nation such as England, it is not possible that any currency can long sustain itself by virtue of the stamp, at a higher value than its intrinsic worth.

[Vol. II, p. 62]. It is a principle in commerce, that the demand for any commodity raises the value of it; and every nation knows how to profit of a demand for what they have.

Whenever, therefore, one of the metals bears an under value in one nation, below what it bears in another, that under

¹ Inserted.

^{2a} By misprint, "561" in Steuart.

value makes that species more demanded by strangers, and it consequently rises in its value, even at home.

By this principle the proportion between the metals in European markets is kept nearly the same, and the small difference which is found does not so much proceed from the demand of foreign trade, as from the taste of the inhabitants. The foreign demand tends to set the proportion even in all markets, and the internal demand for one metal preferably to another, is what makes it vary.

[Vol. II, pp. 70-73].

Paris marc	4608 grains	}	& contains of fine silver
is in fineness as	261 : 27		

This marc is coined in 8 great crowns and $\frac{3}{16}$ of a crown, value in the coin 49 livres 16 sols.

If therefore 4143.38 grains of fine silver be worth 49 livres 16 sols, 4608 or a marc of fine silver will be worth 55 livres 6 sols 9 deniers. But the mint price of fine silver is 51 livres 3 sols 3 deniers = 8.2 pc^t—for coinage; the same for gold.

At the mint a marc of fine silver is paid 51.162 livre and a marc of fine gold 740.409 livres; consequently 51.162 : 740.409 :: 1 : 14.47.

A marc of fine silver, in the coin, is worth 55.38 livres; a marc of fine gold, in the coin, is worth 801.68 livres. We may therefore state thus, 55.38 : 801.68 :: 1 : 14.47. The proportion therefore both at the mint and in the coin is the same; and is nearly as the French writers state it, to wit, as 1 is to $14\frac{5}{16}$ but more exactly as 1 : 14.47 which is very nearly as 1 : 14.45 ¹³.

A French grain poids de marc is to an English grain troy, as 121.78 : 100.

[Vol. II, p. 87]. I find that 5192.8 aces Holland-troes; 3840 grains English troy weight; 4676.35 grains Paris poid

¹³ "As 1 to 14.5," in Stuart.

de marc; and 4649.03 grains Colonia (which is the gold weight of the empire) are exactly equal.

A pound ster. in silver, by the statute of 43 of Eliz.th is 1718.7 grains troy fine; to know how many aces Holland-trees that makes, state thus, 3840 : 5192.8 :: 1718.7 : 2324.1. Divide 2324.1 by 200.21 (the number of aces contained in a silver florin) you have for the par of the pound sterling £ 11.609. [The par in guineas is £ 11.161. A French Louis d'or or 24 livres french silver, £ 11.076.]^a

[Vol. II, p. 89]. At present there are no sterling pounds in silver money; there is no silver in England (1761) in any proporⁿ to the circulation of trade; and therefore the only currency by which a pound can be valued, is the guinea.

[Vol. II, p. 97]. How comes it about that such shillings do not debase the value of the English standard below that of the gold?

I answer, that these shillings are in so small a quantity, in proportion to the gold species, that they cannot be employed in *payments*. Now it has been said above, that *exchange* (in trade) regulates the value of the pound ster., and considers it as a determinate value, according to the combination of the intrinsic worth of all the several currencies, in proportion, as paym^{ts} are made in one or the other. Now generally speaking no commercial obligations are acquitted in silver. I do not understand by the word paym^{ts} a few pounds sterling sent from farmers in the country, perhaps in paym^{ts} of their rents to their landlords; nor what falls to the public offices, in the paym^t of taxes. It is trade alone [. .]

[Vol. II, pp. 97-98]. I do not understand by the word *payments*, a few pounds sterling sent from farmers in the country, perhaps in payments of their rent to their landlords; nor what falls into the public offices, in the payment

^a Summary of Steuart's text.

of taxes. It is trade alone, and the payments of bills of exchange between different countries, which can ascertain the true value of that currency in which mercantile payments are made. Were these worn-out shillings in such plenty as to allow bills of exchange to be acquitted in them, I make no doubt but they would fall below the value of $\frac{1}{11}$ of new guineas; every one would be glad to dispose of them for guineas, [every one] ^a at the rate of their currency; and guineas would, then, be as difficult to be got for silver, as silver is now to be had for guineas. This would bring the standard still lower than it is at present; that is, below the value of the gold; but as payments cannot be made in shillings, their currency cannot affect the standard.

[Whilst the [g] ^a coins of the country are not degraded in value by clipping, I cannot conceive any reason why Gold or silver in bullion should sell in the market [for] ^b much above the mint price, if the bank notes with which they are paid for be not at a discount, and I know no reason for bank notes being at a discount but a want of confidence on the part of the public in the Bank, or an [over] ^c excessive issue of its notes.] ^d

^a Deleted.

^b Deleted.

^c Inserted.

^d Deleted.

^e On reverse of preceding sheet; in Ricardo's hand, but written at another time. An unidentified excerpt, or Ricardo's comment.

III.

NOTES ON ADAM SMITH'S "WEALTH OF
NATIONS" (1776)

EDITORIAL NOTE

There is no counterpart in Ricardo's writings of the commentary on Adam Smith which, at least in student report, has come to us from Malthus (Dr. James Bonar in Palgrave, "Dictionary," *sub* Malthus); nor of the critical exposition of the "Wealth of Nations" which Dugald Stewart gave year after year to his Edinburgh classes and later expanded into the "Principles of Political Economy" (in reconstructed form in "Collected Works," ed. Hamilton, 1845-46, vol. viii, ix). It is from his own "Principles of Political Economy" that Ricardo's critique of Adam Smith must be pieced together.

Specific evidence of Ricardo's continuing use of the "Wealth of Nations," however, abounds. Broughton's record establishes conclusively the familiar story of the manner and effect of first acquaintance. In the library of the present writer is a fine copy of the first edition of the "Wealth of Nations" with the *ex libris* of Osman Ricardo, the economist's oldest son. Whether it be the identical copy that Ricardo saw by chance at the Bath circulating library and 'ordered to be sent to his house' is not certain; in any event the text although much interlined is without annotations. The library at Gatcomb Park, when visited by the writer many years ago, contained a copy of Buchanan's edition (1814) of the "Wealth of Nations"; but this too may not trace back to the economist's ownership.

The following "Notes," from a sheet in the Ricardo MSS., without identification other than page references, relate to the Third Edition of the "Wealth of Nations" (3 vol., London, 1784). They are written irregularly in pencil upon the blank reverse of a note of information upon the Amsterdam exchange, addressed to "Mr. David Ricardo," and perhaps prepared at Ricardo's request by some associate specializing in bullion trade and the Dutch exchange. The computations are based upon "price quoted 5 July 1809." The longest "Note" ("448")—the heart of Smith's theory of money and the starting point of the post-Smithian doctrine (cf. *Quarterly Journal of Economics*, May, 1911, pp. 436-437)—was used by Ricardo in the *Morning Chronicle* letter of September 24, 1810. The series may accordingly be assigned to Ricardo's re-examination of Adam Smith's text in conjunction with controversial activity in 1809-10.

[NOTES ON SMITH'S "WEALTH OF NATIONS," 1776]

[Vol. I, page]

44. Labour the original price paid for everything.
- 68-70. The cause of fluctuations in the price of gold.
304. The actual gold coin keeps up the value of the degraded silver.
374. No advantage attending an increased quantity of gold.
429. Money yields no revenue.
433. D.^o
434. Paper advantages.
440. The quantity of industry employed is independent of the money.
448. The [whole] ¹ paper [money of every kind] ² which can easily circulate in any country never can exceed the value of the gold & silver of which it supplies the place or which w.^d circulate there if there was no paper money.
497. Paper currency which falls below the value of gold & silver.
- 2 vol.
145. No prohibition can prevent exportation of metals.
149. D.^o
153. Money is not wealth.
168. The discovery of mines have not added to wealth.

¹ Replaces "quantity of."² Inserted.

IV.

NOTES ON HENRY THORNTON'S "PAPER
CREDIT" (1802)

EDITORIAL NOTE

Henry Thornton's "An Enquiry into the Nature and Effects of the Paper Credit of Great Britain" (London, 1802) is the best of the compositions directly inspired by the Bank Restriction. Sir Francis Baring had written in 1797-1801 as an apologist and an advocate; but his pamphlets, like other ephemerals of the time, were without trace of analysis or independent inquiry. William Boyd's "Letter to Pitt" (1801) was far more substantial, and in important respects the forerunner of the classical Bullionist literature (*Quarterly Journal of Economics*, May 1911, pp. 444-9). It was perhaps the vogue of Boyd's pamphlet and the popularity of its proposals, heightened by the course of external events, that induced Thornton, a member of Parliament from Shrewsbury for twenty years past, a proprietor and governor of the Bank and an influential figure in the business world—to come to the Bank's support.

The "Enquiry" was widely circulated, going through successive editions in England; it was translated on the Continent and reprinted in the United States. Francis Horner made it the subject of a brilliant expository critique in the first number (October 1802) of the *Edinburgh Review*; Huskisson praised it unqualifiedly, and even two generations later, John Stuart Mill declared it "the clearest exposition that I am acquainted with, in the English language, of the modes in which credit is given and taken in a mercantile community".

Ricardo may have read the "Enquiry" upon its appearance or as soon after as his interest in currency matters had crystallized. Perhaps Horner's laudatory review was one of "the early articles on Political Economy which had appeared in the *Edinburgh Review*", that as Ricardo reminded Hutches Trower several years later "afforded us often an agreeable subject for half an hour's chat, when business did not engage us" on the Stock Exchange ("Letters to Trower", pp. 45-6). Certainly Ricardo had read Thornton's book before the end of 1809. The third contribution on "The Price of Gold" to *The Morning Chronicle* (November 23, 1809; Reprint, ed. Hollander, p. 25) owes one of its statements to the "Enquiry", and in the "High Price of Bullion," published a few months later, there are direct citations (pp. 23-6, 28-9, 31).

The evidently incomplete notes printed below—in the main the summaries of a reader, although the criticisms of a controversialist crop out—may be assigned to Ricardo's reading or re-reading of Thornton's book in connection with the events of 1809. They are loosely jotted down, not always in consecutive order as here rearranged, on uneven scraps of paper. One is the reverse of an envelope cover addressed "David Ricardo, Esqr., Stock Exchange"; another, the reverse of a printed circular letter dated October 14, 1809.

[NOTES ON THORNTON'S "PAPER CREDIT", 1802]

[PAGE]

47. Rapidity of circulation renders a less number of notes necessary.
48. In times of alarm guineas are hoarded. Query: Was not this the case in 1797?
57. Dr. Smith's opinion that issuing too great a quantity of notes would raise the price of bullion.
61. The bank independent of the executive government.
66. An argument drawn from no great increase of paper. May not the improvements in Banking and the rapidity of circulation rendered (*sic*) a less number necessary?
- 69.
70. Gold coin to be viewed chiefly as a standard by which the value of paper is regulated.
71. Gold coin necessary to counteract an unfavorable balance; but can it do this otherwise than by reducing the quantity of currency?
87. A limitation of notes.

If sudden would have very ill effects but might be gradually adopted without danger, yet would not as Mr. T. supposes prevent gold from coming into England.

89. If guineas disappear notes may be advantageously substituted.

The cause mistaken for the effect. Guineas disappear in consequence of the issue of notes.

90. The bank may be exhausted of its guineas however small the number of its notes may be.

This can only be true if proceeding from a want of confidence, but diminution of quantity must cure the demand occasioned by overissue.

95. The bank was blameable in too much decreasing instead of extending its issues.

There can be no doubt that in any sudden diminution of

paper by the failure of country banks it would be wise for the Bank to increase their paper but the price of gold is a sure criterion by which to judge.

107. 108. and 109. The bank besides lending its capital to government had at the period of its stopping payment lent 10,500,000 to government on exch^r. bills and treasury bills; but they had of undivided profits which furnished an additional and disposeable capital of nearly 3,800,000. So that if Government could not have paid the bank the public would have suffered a loss by the bank of 6,700,000. This is not so unlike the banks of Petersburg, Copenhagen, Stockholm, Vienna, Madrid and Lisbon.

I never could comprehend the justice of Mr. T. argument that increasing the quantity of paper would have prevented the necessity of the order in council.

112. It is true that all the cash in the world would not satisfy the claims of those who have a right to demand money but if the bank had paid guineas whilst it had any left the alarm might have subsided and confidence restored. The order in council was not justifiable till this extreme case unless the bank had been an insolvent company. It might then have been just that all its creditors should have participated equally in its funds, but as they were capable of discharging all demands on them no injustice would have been committed by deferring the order in council.

I believe the extreme case had arrived (*sic*).

116. An unfavorable balance of trade can only be temporary as it may be laid down as a general truth that exports and imports will balance each other.

118. Now caused by two bad harvests and occasions a pressure which requires wisdom to encounter and provide against.

But this unfavorable balance judging from the course of exchange has existed before and ever since Mr. Thornton

wrote. To what then is it to be ascribed but to the depreciation of the medium?

121. It is allowed that gold is a commodity having intrinsic value and is exported when profitable.
122. The manner in which the law against exportation of coin is avoided.
124. The law scarcely lessens the export of guineas when profit becomes great.
125. Melting guineas.
- 128/9. Unsatisfactory explanation of the causes of high price of gold.
130. An unfavorable balance a cause of the excess of the market price of gold and cannot be remedied by a diminution of notes.
- 142.
200. Explanation of the manner in which the exchange is affected by the increase of paper.
208. Necessity of limiting paper to prevent coin being exported.
209. The bank have (*sic*) no power to regulate the price of bullion.
216. London Bank paper regulates the issues of Country Banks.
231. Unfavorable exchange and high price of gold induced the Bank to limit paper.
233. Same principle admitted.
235. — Do. — The whole page important
242. Country issues regulated by the Bank
243. Bad harvests account for unfavorable exchange; not in this case owing to Bank issues.
252. Proofs that an increase of paper causes an increase of prices.
258. An increase of paper does not increase the process of carrying on trade; what one does more another does less.
261. — Do. —

276. True principles which operate on currency and exchange.

279. Paper the cause of the rise of bullion.

281. — Do. —

The bullion price [rise]¹ of goods may be raised from various causes but the bullion price [rise]¹ of gold can be attributed only to a depreciated medium.

304. The art of economizing gold improving.

306. Important observation of Mr. Thornton.

Mr. Thornton supposes that there has been no increase of paper circulation at the same time he admits that gold has been 8 to 10/- above the mint.

¹ Inserted, apparently to replace the phrase used.

V.

NOTES ON LORD LIVERPOOL'S "COINS OF
THE REALM" (1805)

EDITORIAL NOTE

Ricardo's recourse in the matter of monetary facts and theories to Lord Liverpool's treatise ("A Treatise on the Coins of the Realm; in a Letter to the King", 268 pp. Oxford, 1805)—was repeated. The *Morning Chronicle* letter of November 23, 1809; the "High Price of Bullion" (pp. 14-16); the "Reply to Bosanquet" (p. 25)—each supported characteristic contentions by excerpts. The following "Notes" suggest how deliberate was Ricardo's reading of Liverpool's text. They fill six folio sheets in the Ricardo MSS.—written, with one or two exceptions, on both sides—and are untitled and unnumbered. The "Notes" are made in Ricardo's ordinary reading manner. Sometimes obvious phrases are omitted; sometimes a footnote in the text is neglected; punctuation marks are changed, and occasionally an outright paraphrase is substituted. The first "Note" refers to page 54 of Liverpool's text. Whether Ricardo's annotations began here or earlier sheets are missing, is uncertain. The "Notes" as to pages 128 and 153 are out of sequence in the MS. and have here been placed in order.

[NOTES ON LIVERPOOL'S "COINS OF THE REALM", 1805]

[PAGE]

[54-6]. Edward the third Mint price

12 $\frac{14844}{25408}$ to 111 $\frac{1176}{25408}$ to 120th year of his reign 11 $\frac{1887}{2568}$ to 1.

[77]. Mr. Locke asserted as a certain fact "that Silver Coins made the Money of Account, or Measure of Commerce, in England and the neighbouring countries." How far this assertion is well founded, we shall have occasion to shew hereafter. He then laid it down as a principle which could not be controverted than [that] "an ounce of Silver, whether in Pence, Groats, or Crown Pieces, Stivers or Ducatoons, or in Bullion, is, and always eternally will be, of equal value to any other ounce of Silver under what stamp or denomination soever" Of this principle there can be no doubt: but from these two premises he drew the following conclusions:

Lord Liverpool on coins

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[109]. It must likewise be admitted that in former times persons of some eminence have [entertained]¹ & supported the idea, that, by diminishing the intrinsic value of our coins, they were more likely to be retained within the realm. This idea has been wholly exploded since the principles of commerce & foreign exchanges have been well understood. Mr. Locke & many others have clearly demonstrated, that the Coins of any country can only be retained within it, when the general balance of [commerce or]² payments is not unfavorable and that they will necessarily be exported when the value of the whole of the merchandize imported exceeds the value of the whole of the merchandize exported, in order to pay the deficiency. These principles are indeed selfevident.

¹ Replaces "maintained."² Inserted.

[114]. Mr. Locke observes, that, two metals as gold & silver, cannot be the measure of commerce both together in any country; because the measure of commerce must be perpetually the same, invariable & keeping the same proportion of value in all its parts; but so only one metal does & can do to itself. An ounce of silver is always of equal value to an ounce of silver, and an ounce of gold to an ounce of gold; but gold & silver change their value one to another; & one may as well make a measure, namely a yard, whose parts lengthen and shrink, as a measure of trade, of materials that have not always a settled invariable value to one another. One metal therefore alone can be money of account and contract, and the measure of commerce in any country.

Page 128[-9].

In the year 1717 the value of the guinea in currency was fixed at 21 shillings by proclamation. It was then evident that Government meant to enforce this regulation; and the Guinea, & the other Gold Coins in proportion, became from thenceforth at that rate legal tender. Subsequent to this period the Gold & silver Coins were equally legally tender, or the measure of property, in all payments whatsoever, till the 14th year of Your Majesty's reign (1774), when, by a Bill, which passed the two Houses, & received Your Royal assent, it was enacted, that no tender in paym^t. of money made in the silver coin of this realm, of any sum exceeding the sum of £25, at any one time, shall be reputed in Law, or allowed to be legal tender, within Great Britain or Ireland for more than according to its value by weight, after the [rate] * of 5/2 for each ounce of silver. The same regulation was revived by an act passed in the year 1798, & is now in force.

[131-2]. Gold is a legal tender. Silver is only a legal tender for sums not exceeding £25.—& copper [halfpence & farthings] † not exceeding 6^d. but two pences & pence for 1/-

* Replaces "weight."

† Inserted.

[140-3]. There is no reason to suppose that any commodity has on this account (the defective state of the silver coins) risen in its price or value. The cause that these evils do not now exist results from a change in the practice & opinion of the people, with reference to the principal measure of [property].⁵ The Silver Coins are no longer the principal measure of property; all commodities now take their price or value in reference to the Gold coins, that is, in reference to the quantity of Gold Coins for which they could be exchanged; in like manner as they took their value in a former period, in reference to the Silver Coins. On this [of] ⁶ account the present deficiency of the Silver Coins great as it is, is not taken into consideration, in paying the price of any commodity, to the extent in which they are legal tender. It is clear therefore, that the Gold Coins are now become in the practice & opinion of the people, the principal measure of property.

A like conclusion may be drawn from the present state of our Gold Coin, & from the value at which they now pass in currency. The Mint indentures of Charles 2, James 2, W^m. 3^d. & Queene Anne, & even [of] ⁷ a part of the reign Geo 1 to the year 1717, had determined, that the Guinea should pass at the rate or value of 20/-, and the other gold coins in proportion: yet they did not pass at that which was then their legal [rate or] ⁷ value but at a much higher rate or value: and in a part of the reign of King W^m. the guinea was current at even so high a value as 30/-. This increased rate or value was not owing singly to a mistaken estimation at the Mint of the relative value of Gold to Silver, but the Gold coins rose or fell, as the Silver Coins were more or less perfect. No such increase or variation in the value of Gold Coin has taken place since the year 1717, when the rate or value of the Guinea was determined by proclamation, and the Mint indenture, to be 21/- and the other Gold Coins in proportion; though the silver Coins now current have long been,

⁵ Replaces "value."

⁶ Deleted.

⁷ Inserted.

and are still, at least as deficient as they were in the beginning of the reign of King Will^m. The guinea & the other gold coins have notwithstanding constantly passed, since 1717, at the rate or value given them by the Mint indentures.

The two foregoing arguments clearly prove the opinion of the people of Great Britain on this subject, in their interior commerce and domestic concerns. I will in the next place shew, what has been the opinion of foreign nations concerning it. At the time of the general recoinage of the Silver coins, in the reign of King Will^m, the exchanges with all foreign countries rose or fell, according to the perfection or defect of our Silver coins. It has already been stated that at this period the exchanges to the Low Countries were so very low that the public lost about 4/- in the pound on all Monies remitted there: that the exchange to Hamburgh and to the East [Countries]⁹ was still lower, & to all places in the Meditteranean it was even more to our disadvantage. The most favorable, therefore, of our exchanges, was, during this period, 20 pc^t. against this Kingdom. All these facts are confirmed by the most eminent writers on Exchanges. The reason that the exchanges were then [so]⁹ low is also evident. Foreigners at that time considered the Silver Coins of this realm, then very defective, as the principal measure of property, & consequently of foreign commerce, & they rated their exchanges accordingly. The same evil [has]¹⁰ however has never existed since the year 1717, though our silver coins, have, during all this interval, been very defective. But, on the other hand, our exchanges with foreign countries were very much influenced to our disadvantage, when our Gold Coins were defective, that is, previous to the reformation of our Gold Coins, in the year 1774: and this circumstance was one of the principal causes, which then induced the Government to reform the Gold coins, by recoinning them, at a great charge to the public. The conclusion naturally resulting from these premises, is, that foreigners have, for a con-

⁹ Replaces "India."

⁹ Replaces "very."

¹⁰ Deleted.

siderable period, no longer considered our Silver Coins as the principal measure of property, and consequently of foreign commerce; but they consider our Gold Coins as such, & thereby estimate their exchanges.

[143-4]. Lest these arguments should not be thought sufficient I will proceed to another, which ought, in my judgment, to have its weight. For many years previous to the recoinage [in 1774 & c — Page 143]¹¹ of the Gold coins in 1774, Gold bullion advanced in in (*sic*) its price, considerably above the rate or value, at which it was estimated at the British Mint. It was frequently at £3.18. and £3.19 per oz. & sometimes even above £4 per oz. On an average of its price for sixteen years, from 1757 to 1773 it was £3.19.2½ per oz. which is 1/4½ per oz. or 1 $\frac{1581}{1586}$ p. cent above the Mint price. But immediately after the Recoinage of the Gold Coin in the year 1774, by which that Coin was brought to its present state of perfection, Gold Bullion fell to something under the Mint price; & for 20 years previous to the year 1797, the Directors of the Bank of England have, as I am informed, paid for it, on an average not more than £3.17.7½ which is 2¼ [d.] per oz., or $\frac{850}{1586}$ pr cent under the Mint Price. It is evident from these facts, that the price of Gold Bullion was affected by the state or condition of our Gold Coins, though the price of this Bullion had not, since the year 1717, been so affected by the defective state or condition of our silver coins; that is it rose in its price when the Gold Coin was defective, and it again fell in its price when this Coin was brought to its present state of perfection. The deficient or perfect state of our gold coins has influenced the price even of silver bullion in like manner. The price of Silver bullion rose or fell from the same cause which affected the price of Gold bullion. From 1757 inclusive, to 1773, when the gold coin was defective, [and it again fell]¹² the average price which the directors of the bank paid for silver dollars, was

¹¹ Deleted.

¹² Deleted.

64½^d. per oz. which is equal to 66½^d. per oz. [for] standard silver. But immediately after the recoinage of the gold Coin, by which it was restored to its present [value] ¹³ state of perfection, the price of these dollars fell, so that on an average of 24 years, to the 31 of December 1797 inclusive, the Bank Directors, as I am informed, have paid for these dollars 61¼^d. per oz. which is equal 63¼^d. per oz. for standard silver, and is less than the average price of silver, for the 16 years previous to the recoinage of the gold coins, by 3½^d. per oz. or 5²⁸/₃₃₃ per cent. It does not however appear that the price either of Gold [or silver] ¹⁴ bullion was ever affected immediately before or since the recoinage of the Gold coin, by the very defective state of our Silver coins. From all which it is evident, that the value of Gold or Silver Bullion has for 40 years at least, been estimated according to the state of our gold coin solely, & not according to that of silver coin. The price of both these metals rose when our gold coin was defective; it fell when our Gold Coin was brought to its present state of perfection; & it may therefore justly be inferred, that, in the opinion of the dealers in these precious metals (who must be considered as the best judges in a subject of this nature) the Gold coin has in this respect become the principal measure of property & consequently the instrument of commerce.

Page 143.

For many years previous to recoinage [in 1774] ¹⁵ owing to the debased state of the gold coin it was frequently at £3.18, £3.19 & sometimes even above £4 per oz. On an average of its price for 16 years from 1757 to 1773 it was 3.19.2½ per oz. which is 1/4¼ per oz. or 1¹⁸⁸¹/₁₈₈₀ pc^t. above the mint price. But immediately after the recoinage in 1774 it fell under the mint price & for 20 years previous to 1797 the Directors of the Bank p^d. for it on an average £3.17.7½ which is 2¼^d. per oz. or ⁵⁶⁰/₁₈₈₀ pr. cent. under the mint price. It [is] ¹⁶ evident there-

¹³ Deleted. ¹⁴ Inserted. ¹⁵ Inserted. ¹⁶ Replaces "was."

fore [from these facts]¹⁷ that the price of gold bullion was affected by the state or conditions of [the coin]¹⁸ our gold coin. The prices [of both metals]¹⁹ rose when our gold coin was defective. It fell when our gold coin was brought to its present state of perfection.

[146]. But the Paper can never be considered as Coin, for it has no value in itself, it only obtains its value with reference to the coins which it represents. Certain descriptions of this paper currency have [however from a thirst of gain]²⁰ been carried by many and from a love of speculation defended by others, to an extravagant and I think a dangerous, extent. Paper currency should only be employed, where payment in Coins becomes inconvenient.

Page 153—(Lord Liverpool)

In this kingdom the Gold Coins only have been for many years past, and are now, in the practice & opinion of the people the principal measure of property and instrument of commerce. The integer or pound sterling is now become by the course of events, & by the general consent of the people, the $\frac{20}{41}$ parts of a guinea, or of 5 dwts. $9\frac{1}{2}$ Grs. of standard gold." "In this kingdom, therefore, the Gold Coin is now the principal measure of property and standard Coin, or as it were the sovereign archetype by which the weight and value of all other coins should be regulated. It is the measure of almost all contracts and bargains; and by it as a measure, the price of all commodities bought & sold is adjusted and ascertained".

[164]. The laws of the country are a fruitless barrier to the exportation of the coin and if they could be enforced would only tend to injure & diminish our foreign commerce.

[165]. When there is a want of both Gold & Silver bullion or foreign coins to pay the balance of trade, the coins of the Kingdom of one description or another will [necessarily]²⁰

¹⁷ Inserted.

¹⁸ Deleted.

¹⁹ Replaces "both of our silver & gold."

²⁰ Inserted.

be exported, notwithstanding any law which may prohibit their exportation. [rest of sheet, loose pencilled computations; verso blank.]

[187].

Exp^{ts}. in 1798

Crowns were deficient	3	$\frac{181}{513}$	p ^r . cent.
Half crowns	9	$\frac{991}{1701}$	p ^r . cent.
Shillings	24	$\frac{1094}{3726}$	p ^r . cent.
Sixpences	38	$\frac{3794}{8657}$	p ^r . cent.

[207-8]. In the last year of the reign of King William, many Louis d'Ors of France, each of which, compared with our coins, was then worth but $17/0\frac{3}{4}$, were brought into England, & were current here for $17/6$. Sir Isaac Newton, then Master of the Mint, represented this circumstance to the Lords of the Treasury, and a proclamation was issued, ordering that these Louis d'Ors should be current only at $17/-$; & thereupon they were immediately brought to the mint as Bullion; and no less than 1,400,000 £ was coined out of the Bullion they produced. In this case the advantage of $5\frac{1}{4}$ d. per Louis D'Or brought so great a number of them into the kingdom & the loss of $\frac{3}{4}$ d. per Louis d'or at most drove them out of circulation.

At another time Moidores passed in the Western parts of England for $28/-$, and the country was full of them: the officers of the mint represented to the Lords of the Treasury, that these moidores were intrinsically worth only $27/7-$ & their Lordships ordered that the public receivers should take them only for $27/6-$ The gentlemen of the country immediately complained that these moidores had all disappeared; so that a profit of 5 d. per Moidore brought them into the kingdom & a loss of 1 d. per Moidore sent them all out again. From these two cases it is evident that they who traffic in coins & who are concerned either in remitting Money, or in melting the Coins, will trade on so very small a profit, that it is very difficult to prevent the evils arising from this

sort of traffic entirely; all that can be done is to diminish the temptation as much as possible.

[241]. The mint proportion of gold to silver is [in the pure metal] ²² as 1869 to 124 or as $15\frac{9}{124}$ to 1. but as the proportion of alloy is different, in pure metal the proportion is as $15\frac{2259}{12480}$ to 1.

[243 et seq.]. During the reign of Darius the son of Hystaspes the value of gold to silver was as 13 to 1
 In the time of Plato.....as 12 to 1
 341 of the Christian era..... 10 to 1
 During the time of Pliny..... $14\frac{12}{25}$ to 1
 Upon Cesar's return to Rome..... $7\frac{1}{2}$ to 1
 this was only transient
 Claudius' reign..... $12\frac{1}{2}$ to 1
 Nero's reign the same

[258]. & continued during the interval of Galba's [reign and that of]²² Alexander a period of more than 150 [years]
 Constantine $10\frac{1}{2}$ to 1
 [according to the Theodosian Code] ²²

[260]. Arcadius & Honorius 60 years after.. $14\frac{2}{3}$ to 1

²² Deleted.

VI.
LETTER TO FRANCIS HORNER
(FEBRUARY 5, 1810)

EDITORIAL NOTE

On February 1, 1810, eight days after Parliament had assembled, Frances Horner, in what appears to have been a carefully prepared speech, moved the House of Commons for various accounts and returns respecting the state of the circulating medium and the bullion trade—in anticipation of proposing at an early day the appointment of a select committee to consider the subject.

"The true doctrine" of currency depreciation in the form admitted by Thornton in 1802 and defined by Lord King in 1803—to the arguments "so ably urged" by whom, Ricardo in 1809 undertook to add "but little"—was not only known to Horner as student but had been accepted unqualifiedly by him as Edinburgh Reviewer.

But this definiteness of opinion certainly did not appear in Horner's speech, as reported. Either because his earlier faith had been shaken or because judicial open-mindedness became a prospective mover of a parliamentary inquiry, his argument in moving for the return of accounts on February 1, 1810, was a weak straddle, in sharp contrast with the definiteness of Ricardo's opinions, as set forth in the 1809 *Chronicle* letters, and in the "High Price of Bullion." The matter is of considerable interest for its bearing on the moot question as to whether Horner's relation to important doctrines of the Bullion Report is joint or independent authorship or essential although unacknowledged indebtedness to Ricardo.

It is not surprising in light of our new knowledge of Ricardo's alert championship that Horner's speech should have evoked prompt rejoinder. As printed below, the letter is transcribed from a full draft or copy in the Ricardo MSS.

[LETTER TO FRANCIS HORNER, FEBRUARY 5, 1810]

SIR:

In your observations [in the House of Commons] ¹ on the present high price of gold, you stated that you did not agree with those who attributed the excess of the market above the mint price, wholly, and solely, to the superabundance of the paper circulation. In your view of the subject, you said, a part of that excess might be caused by the peculiar state of our commerce, owing to the hostile decrees of the enemy, which rendered it necessary for this country to pay bullion for many of the commodities which she imported, such as corn, naval stores etc. You also thought that an excess of the market above the mint price of gold, would be produced, and had been produced, by the demand for gold both at home and abroad, and from that demand not being supplied in the usual manner from the mines in South America.

On this subject, Sir, I beg leave to differ from you and further to trouble you with my reasons for so doing, not doubting that though [I may not be so fortunate as to convince you] ² by my arguments you will pardon me for the observations which I take the liberty of offering.

It appears then to me, that no point can be more satisfactorily established, than that [the cause of] ³ the excess of the market above the mint price of gold bullion is, at present wholly, and solely, owing to the too abundant quantity of paper circulation. There are in my opinion but three causes which can at any time produce an excess of price such as we are now speaking of.

First. The debasement of the coin, or rather of that coin which is the principal measure of value.

Secondly. A proportion in the relative value of gold to

¹ Deleted in pencil.

² In pencil, replacing "you may not be convinced."

³ Deleted.

silver in the market, greater than in their relative value in the coin.

Thirdly. A superabundance of paper circulation. By superabundance I mean that quantity of paper money which could not by any means be kept in circulation if it were immediately exchangeable for specie on demand.

I might add here a fourth reason. The severity of the law against the exportation of gold coins; but from experience we know that this law is so easily evaded that it is considered by all writers on political economy as operating in a very small degree on the price of gold bullion. [It will be readily acknowledged that the debasement of the coin is not now the cause of the excess of the market above the mint price of gold.] * Our gold coin, which is the principal measure of value, being of its standard weight and actually not received at the Bank at this moment unless each guinea weighs 5 dwt. 8 grs.—the lowest weight at which guineas are current by law.

The second cause is limited in its effects, under any and every circumstance, to the superior value which gold may bear to silver in the market, over and above its proportionate value in the coins. The relative value of gold and silver in the market was stated by you, and I believe correctly at $15\frac{1}{2}$ to 1. Their relative value in the coins is $15\frac{9}{124}$ to 1. Thus then an ounce of gold which is coined into $\text{£}3.17.10\frac{1}{2}$ of gold coin, is worth, according to the mint regulation, $15\frac{9}{124}$ ounces of silver, because that weight of silver is also coined into $\text{£}3.17.10\frac{1}{2}$ of silver coin. But if $\text{£}3.17.10\frac{1}{2}$ in gold coin, or an ounce of gold, will sell in the market for more than $15\frac{9}{124}$ ounces of silver,—if it be, as it is now, of equal value with $15\frac{1}{2}$ ounces of silver, or as much silver coin as $15\frac{1}{2}$ oz. are coined into [viz. 80/—],* then it will no longer be worth only $\text{£}3.17.10\frac{1}{2}$ but $\text{£}4$.—because $15\frac{1}{2}$ oz. of silver are coined into 80 shillings. Accordingly the alteration in the relative value of gold and silver, [which it is acknowl-

* In pencil, replacing "The first of these causes is not now operating; this will be readily acknowledged."

edged by me has of late considerably increased,] * cannot at the present moment, have produced any excess of the market above the mint price of gold of more than $2/1\frac{1}{2}$ or between 2 and 3 pct. This cause however has, in my opinion, produced no effect whatever, because, in the present state of things silver cannot be considered as the standard measure of value, and therefore neither gold bullion, silver bullion nor any commodity whatever is rated in the silver but in the gold coin. My reasons for forming this conclusion are as follows.

Whilst the relative value of gold and silver is under 15 to 1 gold will necessarily be the standard measure of value, because no one would then send $15\frac{9}{134}$ ounces of silver to the mint, to be coined into £3.17.10 $\frac{1}{2}$, when he could sell that quantity of silver in the market for more than £3.17.10 $\frac{1}{2}$ in gold coin; and [this] * he could do, by the supposition, that less than 15 ounces of [silver] † would [purchase] ‡ an ounce of gold.

But if the relative value of gold to silver be more than the mint proportions of $15\frac{9}{134}$ to 1, no gold would then be sent to the mint to be coined, because the possessor of an ounce of gold, would not send it to the mint to be coined into £3.17.10 $\frac{1}{2}$ of gold coin, whilst he could sell it, which he could do in such case, for more than £3.17.10 $\frac{1}{2}$ of silver coin. Not only would gold not be carried to the mint to be coined, but the illicit trader would melt the gold coin and sell it as bullion for more than its nominal value in the silver coin; he would as I have already stated obtain for it 80 shillings in silver coin, a profit of 2 to 3 pct. [on every ounce melted].* Thus then gold would disappear from circulation and silver coin become the standard measure of value. This would be the case *now* if the coinage of silver were allowed at the mint, but it is prohibited while that of gold is freely permitted. How can silver become the standard measure of value whilst

* Inserted, in pencil.

† In pencil, replacing "that."

‡ Replaces "gold."

* Replaces "sell."

† Deleted.

this law continues in force? [The quantity of silver in circulation is barely sufficient or rather is insufficient for small payments and is now bought at a premium of 7 pct.]¹⁰ Were the relative value of gold to silver to become as 1 to 30 in the market, gold would still be the measure of value. It would be in vain that the possessor of the 30 ounces of silver should know that he once could have discharged a debt of £3.17.10½ by getting 15¹¹ ounces of silver coined at the mint [into that sum of silver coin]¹⁰—to discharge that debt now he would have no other means [if silver only were in circulation]¹⁰ but selling his 30 oz. of silver at the market value, that is to say, for 1 oz. of gold, and procuring *that* to be coined at the mint into £3.17.10½, or at once obtain for it that sum of gold coin.

The effects which may be produced by the third cause namely, the superabundance of paper circulation, are too obvious to be disputed, and indeed [have been admitted]¹² by you.

Having laid down these principles, I shall now proceed, Sir, in endeavoring to prove that the other causes which you assign for an excess of the market above the mint price of gold, are insufficient, and could in no case produce such an effect.

I will for a moment allow, what in point of fact can not, I think, ever be the case, that the hostile decrees of the enemy, might reduce our trade to that state, which should render it necessary for us to pay for all our importations with bullion, yet I should contend that that is not an adequate reason for a rise in the money price of gold bullion. Its *value* would no doubt be increased and it is from not distinguishing between an increase in the *value* of gold, and an increase in its *money price*, that much of the error of our reasoning is derived. If

¹⁰ Inserted, in pencil.

¹¹ Inserted, in pencil in another hand: "mistake—[16] 7 E. B (!)".

¹² In pencil, replacing "are already admitted."

corn were to become scarce from large exportations, its money price would be affected, because in comparing it with money we are in fact comparing it with another commodity; and when we export money [or bullion],¹³ in the same manner, on comparing it with corn, its corn price would be affected [but its money price would not alter],¹³—but in neither case would a bushel of corn be worth more than a bushel of corn, nor an ounce of gold more than an ounce of gold. The *price of gold*, whatever the demand might be, could never, whilst it was measured by *gold coin*, or bank notes which were an obligation to pay gold coin, and were of equal value with it, be more than £3.17.10½.

If the price of gold were estimated in *silver* indeed, the price might rise to £4, £5., or £10 an oz., but silver I think I have already proved is not the standard in which the value of gold is estimated. But if it were; as an ounce of gold is only worth 15½ oz. of silver, and 15½ ounces of silver is precisely equivalent, or is coined into 80 shillings, an ounce of gold could only then be worth and sell for £4.

Those then who maintain that silver is the measure of value, can not prove that any demand for gold which may have taken place, from whatever cause it may have proceeded, could have raised its price above £4 per oz. All above that price must, on their own principles, be called a depreciation in the value of Bank notes. It therefore follows that if Bank notes be the representatives of gold coin they are depreciated 15 p. c. If they are the representatives of silver coin then an ounce of gold selling as it now does for £4.10, sells for an amount of notes which represent 17½ oz. of silver, whereas in the bullion market it is allowed it can only be exchanged for 15½ oz. Fifteen ounces and a half of silver bullion are therefore of equal value with an engagement of the Bank to pay to [bearer]¹⁴ seventeen ounces and a half.

On the same grounds, I think, I could successfully show,

¹³ Inserted, in pencil.

¹⁴ Replaces "the bearer of."

that no increase or decrease in the supply of the American mines could produce any variation in the money value of gold bullion.

Whilst gold continues the standard measure of value, it might be possible, either that an increased demand for silver, or a deficient supply, might raise the money price of silver to 5/6, to 6/—, to 8/—, nay to an equal or greater price than an ounce of gold. This effect would be produced by an alteration in the relative value of gold and silver, but no scarcity of *gold*, nor any demand for it, however great, would raise its *price*, tho' it might raise its *value*, because it is itself the medium in which its price is estimated.

Mr. Marryatt I believe contended that the unfavorable exchange was the cause of the high price of gold bullion. He mistook, I apprehend, the cause for the effect, as I have elsewhere attempted to shew. He observed too that a guinea was worth in Hamburg 26 or 28 shillings, but if we should therefore suppose that a guinea would sell there for as much silver as is contained in 26 or 28 shillings we should be very much deceived. The silver for which a guinea will now sell at Hamburg would if sent to our mint coin into 21/6 or perhaps a penny or two pence more, and that it will fetch so much is owing to an alteration in the relative value of the two metals. It is nevertheless true that that same quantity of silver will at Hamburg purchase a bill payable in London in Bank notes for 26 or 28 shillings. Can there be a more satisfactory proof of the depreciation of our circulating medium?

I have the honor to be

Sir

Your most obed^t and humble Serv^t.

David Ricardo

New Grove
Mile End
5th febr^y. 1810
F. Horner Esq.

VII
NOTES ON THE "BULLION REPORT"
(1810)

EDITORIAL NOTE

The "Report, together with Minutes of Evidence, and Accounts, from the Select Committee on the High Price of Gold Bullion" was presented to the House of Commons and ordered to be printed on June 8, 1810, the day previous to the prorogation of Parliament. It could not, of course, be discussed, and, according to Professor Smart ("Economic Annals of the Nineteenth Century, 1801-1820," p. 255), "Copies, in fact, were not in the hands of members till the middle of August (the number of tables in the appendix having delayed the printing)." Even when printed in the usual parliamentary folio form ("Parliamentary Papers," 1810, vol. iii; the full text of the Report and of the Evidence was reprinted in "Hansard," xvii, Appendix, ccii), the number of copies struck off appears to have been limited, and on November 18, Horner himself, much to his chagrin, was obliged to reply to the request for a copy, from his old teacher, Dugald Stewart, that it was "now out of print," and that he would endeavor to regain a loaned personal copy 'if he should not be fortunate enough to procure another sooner.' It was probably this condition, heightened by growing public interest, that led J. Johnson and Co. of St. Paul's Churchyard and J. Ridgway of Piccadilly, before the year was out, to reprint the Report with full Accounts and Evidence in an octavo edition. It is this edition which later students have ordinarily used, and which was reprinted by Professor Sumner in 1874 ("History of American Currency", Appendix; reprinted 1920), and by Mr. Cannan in 1919, with admirable apparatus ("The Paper Pound of 1797-1821"; second edition, 1925).

We may suppose that Ricardo lost no time in acquainting himself with the Report and Evidence from the immediate newspaper reports and from the original parliamentary edition. But in making critical annotations in his ordinary reading manner, it was, as appears from pagination, the octavo reprint that he used. If further evidence were needed, the allusion to Randle Jackson's speech ("page 120") establishes that the annotations were made after September 21, 1810.

The notes here reproduced from the Ricardo MSS. are evidently only a fragment of the running commentary which we may assume to have been jotted down but unfortunately not preserved in full.

[NOTES ON THE "BULLION REPORT", 1810]

[PAGE]

9 ["Report "]

The committee seems anxious to prove that there have been considerable importations as well as exportations of gold, but this fact is not in the least material to the principle which they are attempting to support.

21 ["Report "]

It is difficult to believe that the cause here assigned were (*sic*) adequate to produce such an unfavorable exchange as from 15 to 20 pct.; much of it must in the first instance be attributed to the circumstance of Bank of England paper being excessive & not convertible into cash.

55 ["Report "]

The advance is not useful even in the first instance if the amount of currency have already attained its natural limit. It can only be useful to one merchant [in] ¹ the same degree as it becomes hurtful to another. It enables one to make purchases, but, by the increase of prices, it deprives others of the ability of carrying on the same extent of trade.

58 ["Report "]

The proportion of currency which can conveniently be maintained in a country [where a paper currency not convertible into specie exists] ² can be adjusted by human wisdom and skill, as the Committee themselves assert in several parts of the report. It is precisely at its proper limit whilst gold does not rise above or fall below the mint price.

65 ["Report "]

If the Bank had been more liberal in their discounts at that period, they would have produced the same effect [on general credit] ³ as was afterwards done by the issue of

¹ Replaces "by."² Inserted.³ Inserted.

Exch^r. bills. It would appear that the bank would buy the exch^r. bills but would not discount the merchants bills, or rather they would not advance money to the merchants without the guarantee of Parliament. If the Bank bought the bills, it was then by an increase of circulating medium that public credit was ultimately relieved. If the public and not the bank purchased the bills then was a portion of the circulating medium of the country which had been withdrawn from circulation again brought forth by the credit of government being pledged for the parties requiring relief. Perhaps after all that confidence was on the point of being restored at the very moment that recourse was had to this boasted measure.

Aaron Asher Goldsmid ["Evidence," pp. 1-18; 41-47 *et seq.*]. This gentleman's is very clear and explicit, both with regard to the price of gold, and the manner in which the bargains are executed. He stated, that, for the last 15 months, he had bought and sold more gold than on an average of years.

The chief imports of gold from the West Indies; principally from Jamaica; Spanish & Portugal coin have an intrinsic value as coin, but French gold [coin] * has not.

Does not this admission prove that it is not in consequence of our importations of corn from France that gold is greatly in demand, as if that were the case French gold coin would be particularly sought; of all gold that would be the best remittance. Yet Mr. G. believes that it is return for corn from France & Flanders that gold is [chiefly] * exported. The largest quantity sent to Holland. Does not think that the quantity of gold exported considerably exceeded, in the last twelve months, the quantity imported. Has not any idea that the increase [or decrease] * of Bank notes has any connection with the rise or fall of the price of gold, but acknowledges that he has paid no attention to it. If a person were at

* Inserted.

* Deleted.

liberty to export English Gold, he certainly would get 16 pct. more than if he exported foreign gold.

Mr. Binns ["Evidence"]—has frequently bought light guineas for which he has given not quite so much as 23 shillings. Mr. Merle ["Evidence"] has declined buying light guineas, as he thinks it contrary to law to give more than the coinage price for them; he has no doubt that the cause of the disappearance of [guineas] ^o from circulation is the high price of Gold Bullion and the temptation to export it on acct. of the high price. He does not think that the increase of Bank notes has had any effect on the price of gold, but confesses that he has never made any observation on it, nor considered the subject generally. He never thought of considering what effect a large issue of Bank notes might have on the price of gold. He allowed that if there were no legal restrictions against melting guineas, he should consider paper as of less value than specie,—it would make a difference of 10/ an ounce.

Page 102 ["Evidence"].

1. If the reduction of the circulating medium would raise the exchange, how could it cause the exportation of commodities seeing that any [advantage from the] ^r reduction in their price will be precisely counteracted by the disadvantage from the rise in the exchange.

2. Is not the rise in the price of commodities, in consequence of an increase of bank notes, merely nominal to the foreigner, as whatever [advance] ^o may take place in the price of goods, will, as just observed, be counteracted by the fall in the exchange, proceeding from the same cause.

3. The effects here stated could only take place when the currency was undepreciated. In raising the value of a depreciated currency to par, the effects on foreign trade would be purely nominal. If the value [of the currency] ^r were

^o Replaces "gold."

^r Inserted.

^o Replaces "rise."

raised above par by further curtailments of Bank notes, the effects, as stated in the latter part of this answer would follow.

4. There would be no diminution of imports. Those trading in borrowed capitals would cease to invite consignments from abroad, but as the value of the circulating medium would be increased, those trading with their own capitals would be enabled to import an increased quantity of commodities. [The increase on one hand]⁹ would be precisely equal to the diminution [on the other].¹⁰ The value of the currency would not only be raised at home, but abroad also; the improvement of the exchange would enable the same sum of English money to purchase a larger quantity of foreign commodities.

5. Here the answer appears to recognize the principle which I have stated above, and is at variance with the former answer.

6. The exchange may be and possibly is, really in our favor, though nominally against [us].¹¹

7. The effect of a diminution of the currency would be precisely the same as the exportation of coin to the same amount. If there be any difference it must be so small that it can scarcely be estimated. The sum exported would be divided amongst all nations and could not be permanently retained in the importing country.

8. The cause here mentioned could not have produced [the effect ascribed to it]¹² if the circulating medium were not permanently excessive. The exchange may be completely controlled by those who have now the power of issuing paper. Whilst confidence is reposed in the Bank, the restriction might continue & yet the exchange never deviate far from par.

Page 112 ["Evidence"].

1. If, during the Period that the exchange has improved

⁹ Replaces "their increase."

¹⁰ Replaces "of the others."

¹¹ Replaces "England."

¹² Replaces "any effect."

whilst the amount of Bank notes has increased, commerce & payments had not also increased, no such effects could have followed. [An increased commerce & revenue *requires* an additional circulating medium, whilst it preserves the same value]¹³ [it will therefore bear]¹⁴ an [augmentation of paper circulation]¹⁵ may therefore take place at such time without causing either the depreciation of paper or of the foreign exchanges. Mr. Pearse does not prove [therefore],¹⁶ even if the fact be as he stated, that the principle, "of the exchange being affected by an excess of currency" [is]¹⁷ erroneous.

Page 114 ["Evidence"].

2 (*sic*) Is it not surprising that the Governor of the Bank should require time to consider this question,—when it is (I am credibly informed) ascertained, that the discounts have increased in no less a proportion than [. . .].

Page 120 ["Evidence"].

1. Mr. Randle Jackson said, in his speech at the Bank, that many respectable witnesses had given it as their opinion to the committee that the high price of bullion had nothing to do with the fall of the exchange. Mr. Goldsmid, whom he often mentioned with great respect, is in this answer at variance with him. Indeed I can find no such opinion given by any evidence whatever.

2. Mr. Goldsmid acknowledges that he is not competent to give an opinion upon the main point in dispute. It cannot, therefore, be on his authority that either Sir J. Sinclair or Mr. Jackson confidently rely, for the conclusions which they have formed "on the evidence of the great practical authorities" [examined by the committee].¹⁸

¹³ Altered to "an additional circulating medium, whilst it preserves the same value will be required by an increased commerce and revenue."

¹⁴ Deleted.

¹⁵ Replaces "to be."

¹⁶ Replaces "an *increase* of paper circulation."

¹⁷ Inserted.

Page 124 ["Evidence"].

1. After this answer can the committee be blamed for not giving implicit assent to Mr. Whitmore's opinions? If he had answered this question, in the only way in which it could be answered, in the affirmative; he would have been obliged to admit that the issues of the Bank could be made to raise or fall the price of gold.

2. He confounds price & value. How could the bank incur the penalty of usury whatever value a pound sterling might rise to? If £100 of our present currency, were so raised in value, by adding to the quantity of [the]¹⁹ gold in a guinea, as to command double the quantity of commodities, which they can now purchase, and the Bank were to lend such £100 at 5 pct., how could the increased value of the notes subject them to the penalties of usury?

130 ["Evidence"].

1. Mr. Grefulhe seems to consider it as a possible case, that the balance of payments might be so much, & so permanently against a country that if there existed in that country a metallic circulation only, she might be exhausted of all her bullion & coin. He does not reflect that the want of a circulating medium is so urgent that we should cease to import commodities, after a considerable portion of our money had left us, if [it can be supposed]²⁰ foreign nations [could be]²¹ so blind to their interest as to refuse to accept any thing else in exchange for them. Those who argue thus are always obliged to suppose that the balance of payments is accidentally & uncontrollably against us; they should go a little further in their examination of cause & effect, and they would discover that a balance of payments can never be against any particular country, for any length of time, but from a relative excess in the currency of that country. It buys with money because money is too abundant; diminish the quantity and it will cease buying altogether unless it can buy with goods.

¹⁹ Deleted.

²⁰ Inserted.

²¹ Replaces "were."

Page 135 ["Evidence"].

Mr. Chambers like those who have given their evidence before him ascribes the unfavorable exchange to the balance of payments being against us; allows that a forced paper circulation would depress the exchange, but contends that the Bank of England cannot force a circulation; he does not conceive Gold to be a fairer standard for Bank of England notes than Indigo or broad cloth!

136 ["Evidence"].

1. This seems to be the source of all the error of these practical men. A paper currency cannot be excessive, according to them, if no one is obliged to take it against his will. They must be of opinion that a given quantity of currency can be employed by a given quantity of commerce & payments, and no more—not reflecting that by depreciating its value the same commerce will employ an additional quantity. Did not the discovery of the American mines depreciate the value of money, & has not the consequence been an increased use of it? By constantly depreciating its value there is no quantity [of money]²² which the same state of commerce may not absorb; and it is of little importance whether the state forces a paper circulation, or whether it be issued by a company only when demanded by the public in discounting good bills; the effects of an excessive issue will be the same.

Suppose the paper in circulation not convertible into specie to be 20 millions, & I have credit sufficient with the bank to get a bill discounted at the Bank for £1000—wishing to extend my business to that amount. Suppose too that all the other trades possess equal facilities & that by these various bills being discounted a million is added to the circulation. Now the possessors of this additional million have not borrowed it to let it remain idle but for the purpose of extending their different trades. The distiller goes to the corn market with his portion; the cotton manufacturer, the sugar maker

²² Inserted.

&c. with theirs; the quantity of corn, sugar, & cotton in the country remaining precisely the same as before. Will not the effect of this additional million be to raise the price of all commodities $1/20$ or 5 pct. that being the proportion in which the currency is increased. These borrowers of the Bank will succeed in their object of increasing their trade, but by rendering the 20 millions [which was before in circulation] ²³ less efficient there will be a corresponding loss in the trade of those who were before possessed of this sum. As no addition had been made to the [quantity of the] ²³ corn, the sugar or the cotton but only to the prices of those commodities there would be no increased trade but a different division of it. If another million were added to the circulation by new demands for discounts, the same effects would again follow. There can be no limits to the depreciation of money from such repeated additions. The observations of Mr. Harman ["Evidence," pp. 219-221] that the Bank never discount bills but for bona fide transactions cannot limit the quantity [because if all such bills were discounted we might have four times the amount of paper that is now actually in circulation].²⁴ The same sum of money performs successively a great number of payments; but a bill might be given for each of these payments for bona fide transactions & if the bank discounted them all we might have four or ten times the [amounts of paper that is now actually in circulation].²⁵

Page 152 ["Evidence"].

It has been contended by some intelligent men, that in the year 1797 when there was a run upon the Bank for specie, that the Directors would have upheld public credit & have put a stop to the demand for guineas by increasing their discounts, rather than by diminishing them. I am of opinion that the run upon the Bank in 1797 proceeded from political alarm, & a desire on the part of the people to hoard guineas. I was myself witness of many persons actually exchanging

²³ Inserted.

²⁴ Replaces "of paper in circulation."

bank notes for guineas for such purpose; therefore it is probable that the Bank could not [have prevented]²⁵ the stoppage of payments [to]²⁶ which they were obliged to have recourse [to].²⁷ [Mr. Whitmore]²⁸ but a [demand]²⁹ upon the bank [for specie]³⁰ from fears of the solidity of its resources, or from political alarm, are (*sic*) very different from a demand arising from a high price of bullion [& a low rate of exchange & must be differently treated].³¹ In the latter case it can proceed only from an excessive issue of paper, if the gold coin [is]³² not debased & can only be checked by [calling in the excess].³³ In 1797 the exchange was at 38 with Hamburgh & gold bullion at £3.17.6. In 1810 the exchange is at 29 & gold bullion at £4.13.

Page 176 ["Evidence"].

If the notes of the Bank of England in circulation are employed in making payments of above 1500 millions, and only a part of the Bank of England paper is available for that purpose as a great proportion is wanted for deposits by the county bankers—does it not follow that the proportion of Bank notes to actual payments is [exceedingly]³⁴ small? [If then every bona fide payment was made by a bill of exchange].³⁵ If the daily [and bona fide payments]³⁶ exceed 5 millions, and if [we suppose what is barely possible]³⁷ such payments were made by bills of exchange payable at 60 days, might not the bank [contending as they do that by discounting bills given for real transactions they can never produce an issue of notes,]³⁸ be called upon to discount bills in

²⁵ Replaces "prevent."

²⁶ Inserted.

²⁷ Deleted.

²⁸ Replaces "run."

²⁹ Deleted.

³⁰ Inserted.

³¹ Replaces "be."

³² Replaces "a diminution [replacing 'limitation'] of the amount of notes."

³³ Replaces "very."

³⁴ Replaces "payments."

60 days to the enormous amount of 300 millions if they were to [be willing] ⁸⁶ consider as they profess to do that they can never err in discounting bills for bona fide transactions?

181 ["Evidence"].

1. Before the restriction the exchange was never for any considerable time against this country. If such a state of the exchange [had permanently existed] ⁸⁵ whilst the Bank paid in specie, the Bank might [have been] ⁸⁶ drained of every guinea.

2. Mr. Pearse is no doubt correct in his answer as far as regards the necessity which the Bank would be under of reducing its advances on bills &c, but he is wrong in supposing that any distress similar to that in 1797 would ensue from the repeal of the restriction bill.

3. The limitation of the Bank issues would certainly [raise] ⁸⁷ the foreign exchange.

4. Is not the affirmative to this question self evident?

188 ["Evidence"].

5. Mr. Pearse must give up his accusation against the country banks of causing an excess of circulation, as he here admits that it is an evil which would correct itself.

189 ["Evidence"].

6. Is it not self evident that the value of the money for which the foreigner must sell his goods in this country must enter into his calculation?

7. Is not this a confession that he has not considered a most important question in political economy particularly necessary to be well understood by a Bank director.

8. He does not consider it so much depreciated [as formerly] ⁸⁸ because on a comparison with Bank of England paper it is [now] ⁸⁸ nearly at par [which it was not then].⁸⁸ [He] ⁸⁹ To me it is evident that the value of Bank of Ireland paper

⁸⁶ Replaces "were possible."

⁸⁷ Replaces "be."

⁸⁸ Replaces "lower."

⁸⁹ Inserted.

⁸⁸ Deleted.

has not been raised to the value which Bank of England paper then bore, but that the value of Bank of England paper has been sunk to that of Bank of Ireland paper, & that therefore they are now both depreciated.

195 ["Evidence"].

1. The removal of the restrictions on trade might undoubtedly facilitate the means of importing bullion, if circumstances were favorable to such an operation; but the exportation or importation of bullion must be regulated by the relative value of bullion in the two countries, or which is the same by the rate of real exchange between two countries.

2. This question is not fairly answered. It is certain that the small notes cannot be withdrawn without an issue of specie to an equal amount, as they are wanted for small payments & are therefore indispensable; but the question is whether in judging of [an]⁴⁰ excessive issue by a comparison of the present amount of notes, and the amount in 1797, the amount of small notes should be taken into consideration. [As the guineas have been withdrawn and the small notes only substituted.]⁴¹ If the small notes substituted have not exceeded the amount of guineas withdrawn, it is clear they should not be taken into the account.

3. Sir F. Baring is decidedly opposed to the opinion entertained by the Bank Directors, that they cannot produce an excess of circulation whilst they discount bills for real bona fide transactions.

217 ["Evidence"].

Mr. Tritton's evidence generally is very cautious; he appears not to have paid much attention to the subject of currency, and the effects produced on it by London & country banks.

Pages 218, 219 ["Evidence"].

Mr. Harman thinks that the diminution of the paper of

⁴⁰ Inserted.

⁴¹ Deleted.

the Bank, would, neither immediately or remotely, tend to an improvement of the exchange.

In his answer to a subsequent question he allows that an augmentation of the quantity of Bank of England notes tends to raise the prices of commodities.

It therefore follows that a diminution of the quantity of Bank notes would lower the price of commodities; but if prices were considerably lowered and the exchange were not affected foreigners would be induced to purchase more of our commodities; [this real fall in their price would not fail to encourage foreign purchasers.]⁴² But [such purchases]⁴³ according to the principles of those who are for ascribing every effect on the exchange to the balance of trade, would speedily turn the balance in our favor or at least render the present balance less unfavorable & would therefore indirectly raise the exchange. It is to be regretted that the Committee did not press Mr. Harman for some explanation [which might have been proved so inconsistent].⁴⁴

3. But at the period here alluded to the exchange was considerably in our favor & therefore the present case and that case are totally dissimilar.

4. That the exchanges should remain as they now are Mr. Harman thinks barely within possibility. Any material improvement of the exchange with the present amount of paper money I deem barely within possibility. Nothing can improve the exchange but some alteration in the relative state of the currency of this & the currencies of other countries.

5 & 6. Are not the answers to 5 & 6 contradictory?

7. This opinion is built upon the idea that the interest of money rises or falls according to the abundance of money. If the Bank Directors could be convinced that this is an erroneous principle we might expect to see them adopt a very different system. The interest which a man agrees to pay for

⁴² Inserted.

⁴³ Replaces "this."

⁴⁴ Replaces "of these discordant opinions."

the use of a sum of money is in reality a portion of the profits which he expects to derive from the employment of a capital which that sum of money will enable him to obtain. In the interest which he is willing to pay he is guided solely by the [probable] ⁴⁸ extent of those profits. His profits are necessarily totally independent of the abundance or scarcity of the money [which circulates commodities] ⁴⁸ in the country. If [America had no mines] ⁴⁸ but we had obtained [the same] ⁴⁹ by the discovery of that large portion of the world the same commerce which we now enjoy, the value of gold & silver would not have been depreciated, and no country would have had more than a third of the money which [they] ⁴⁹ now possess, but its greater value would have made it equally effectual for the commerce & payments of each [country]. ⁵⁰ Profits would have been precisely the same as they now are though they would be expressed by a different amount of Pounds sterling. A man possessed of £500 year would [then have been] ⁵¹ as rich as one possessed now of £1500. And a monied man with £5000—lent at 5 pc^t. would [not envy] ⁵⁰ have [had] ⁴⁸ as abundant an income, as one under the present circumstances with £1500 lent at the same rate of interest. If gold were to become as abundant as lead it would make no [all] ⁵⁰ permanent alteration in the rate of interest for money; the depreciation which money experiences renders the same nominal sum less effective in the precise degree of its depreciation. If then an abundance of paper circulation as allowed by Mr. Harman raises the price of commodities or in other words depreciates the value of money, will not that circumstance alone be a cause for an increased demand for it? Will not the supply again depreciate it and the demand increase? And may not this continue ad infinitum. And as the larger quantity of

⁴⁸ Inserted.

⁴⁸ Replaces "the mines of America had never been discovered."

⁴⁹ Deleted.

⁴⁹ Inserted.

⁴⁹ Replaces "she."

⁵⁰ Deleted.

⁵¹ Replaces "be."

[depreciated] ⁴⁸ money will be no more effective than the smaller quantity of undepreciated money was before, who will be conscious of an excess? Who will find that the particular sum which he possesses is superfluous & endeavor to return it to the Bank in payment of a discounted bill. The bank [during the suspension of cash payments, with its present excessive issues] ⁴⁹ produces the same effect as the discovery of a new mine of gold which should materially depreciate the value of money. In the case of the mine, as the currency of all countries would be equally depreciated its effects would be visible only in the rise of prices of all commodities for which money is exchanged, [In the case of the] ⁵⁰ and the exchange which [only] ⁵¹ expresses the relative value of the currencies of different countries would continue at par; but in the case of the augmentation of Bank notes not convertible into specie at the will of the holder, the rise of the prices of commodities is confined to the country where the notes are issued and consequently the depreciation of money is local and not general; and is made evident by the effect produced on the exchange with foreign countries, which deviates from par nearly in the same proportion as the [money is depreciated].⁵⁴

8. How unfit for a Bank Director, whilst the restriction bill is in force, is that man who without qualification declares "that he must very materially alter his opinion, before he can suppose that the exchanges will be influenced by any modifications of our paper currency."

9. This is the time test by which to try the soundness of their principle. I defy them to answer it in the affirmative.

229 ["Evidence"].

Mr. Richardson's evidence is full of information with respect to the details of money transactions in London, as well as in the country. He proves most satisfactorily that there have been of late years great improvements in the way of

⁴⁸ Replaces "now." ⁴⁹ Deleted. ⁵⁰ Replaces "depreciation."

economizing the use of Bank notes which renders the same amount of notes effective for an enlarged commerce. He was asked whether he thought that ten millions of Bank notes would keep afloat the same quantity of business as fifteen millions would have done ten years ago. His answer was, "Not quite so much perhaps ten years ago." It must however be admitted that a considerable saving in the use of notes has been effected. What is the reason that gold monies in the year 1805, 6, 7, 8, 9 & 1810 should be coined at the mint from foreign gold, when by the evidence of the dealers in bullion English gold as it is called can be purchased cheaper?

VIII.

LETTER TO *THE MORNING CHRONICLE* ON
"BULLION REPORT"
(SEPTEMBER 6, 1810)

EDITORIAL NOTE

Neither in the "Account of the Life of Mr. Ricardo" published in the "Annual Biography and Obituary for 1824" and ascribed by McCulloch to "one of his brothers", nor in the sketch of the "Life and Writings of Mr. Ricardo" from McCulloch's own pen prepared for and prefixed to the well-known edition of the "Works" and reprinted on several occasions thereafter—is mention made of Ricardo having contributed to *The Morning Chronicle* anything more than the three letters on "The Price of Gold" in August-November, 1809 (reprinted by Johns Hopkins Press, 1903). No intimation of further authorship in this early period is found in any other quarter—possibly because of the unfortunate gap in the "Letters to Malthus" from August 17, 1810 to June 18, 1811—and it has been accepted that between the completion of the "High Price of Gold" in December, 1809 and the appearance of the "Reply to Bosanquet" in the closing months of 1810, Ricardo's pen was inactive in formal composition. It now appears that such was not the case. Among the Ricardo MSS. are the three following letters to *The Morning Chronicle* of September 6-24, 1810, enclosed, in clipping form, in a loose wrapper envelope addressed "M. Ricardo Esq." with an unsigned note in the same hand:

"These are papers written in the Chronicle after the Bullion report—but I have a perfect recollection that he wrote several before Mr Horner moved for a committee, & I say, & think, that Mr H— was led by those papers to bring the subject before Parliament which I think will be seen by a reference to his speech, as he expresses great doubts on the subject therein—I collected those papers, but suppose I destroyed them when his first pamphlet appeared which embodied all they contained—but they may easily be seen at the Institution, & I think the dates of them will prove they were written before Mr Horner's motion for a committee."

The "M. Ricardo Esq." is, of course the economist's brother, close in personal and business relations and eventually his administrator and biographer. The "Institution" is doubtless the "London Mechanics Institution", projected by Hodgskin in 1823 and established with the aid of Place and Birkbeck. Identification of authorship as to the Letters here reprinted does not rest solely upon the above note, nor upon the signature "R.", as used in the earlier *Chronicle* letters of 1809. The composition, both as to style and content, is unmistakably Ricardo's. That neither in the Annual Register memoir, nor in McCulloch's sketch, mention should have been made of these papers remains unexplained.

The Bullion Report, as stated above (p. 44, *supra*) was presented to the House and ordered printed on June 8, 1810, the day previous to the prorogation of Parliament. Although "the substance and the recommendations were circulated in the newspapers immediately after it was laid on the table," printed copies of the full text and evidence in parliamentary form "were not in the hands of members till the middle of August." Formal publication must have seemed to Ricardo—who we may be sure had been following the progress of the Report with an almost proprietary interest—the proper occasion for a brief in advocacy. The columns of *The Morning Chronicle* stood open, and on September 6, 1810, appeared the first of the three following communications.

[LETTER TO *The Morning Chronicle* ON "BULLION REPORT",
SEPTEMBER 6, 1810.]

REPORT OF THE BULLION COMMITTEE.

To the EDITOR of the MORNING CHRONICLE.

SIR,

The able Report of the Bullion Committee can leave no doubt, in the minds of all unprejudiced persons, that there exists at this moment a great depreciation in the paper currency of this country; and though the Committee have treated the Bank Directors with a great degree of lenity, they justly attribute to their ignorance of the principles which should regulate them in their issues of paper, all those consequences which we at present deplore, and the remedy for which is now sought with so much anxiety. The fatal effects attending the interference of Government in commercial concerns, and which has been so frequently and so ably insisted on, are in this instance fully exemplified. Had the Bank, at the period of their difficulties in the year 1797, been suffered to have extricated themselves as well as they were able, they might possibly, under the peculiar pressure of the times, have been obliged for a short time to have ceased paying in specie, and their notes might in consequence have suffered a trifling discount; but as they could easily have convinced the public that their assets were fully equal to the discharge of all demands on them, it would in all probability have been of short duration, for who would have consented to accept much less than twenty shillings in the pound, when, by the delay of a few weeks, the Bank would have been enabled to pay him that amount. The creditors of the Bank would have seen how little foundation there was for alarm. That opulent Company would in a short time have resumed their payments in specie, and would have continued to be what Sir F. Baring in his evidence before the Committee represented them to have been

for above a century previously to 1797, highly conducive to the prosperity of England.

The law which gave the Bank the power of refusing to pay their notes in specie, has entailed upon us the evil of a depreciation in our currency of nearly 20 per cent., and has rendered it extremely difficult to restore it to the true standard by which it should be regulated—the value of the gold which is actually contained in the coin for which it is a substitute.

We have advanced so far in this ruinous path, that we are beset with dangers on every side;—to proceed will inevitably plunge us into increasing and accumulated difficulties, from which we shall be unable hereafter to extricate ourselves; and to return, though by far the safest course, will be attended with trials which will require a great degree of ability, integrity, and firmness to surmount.

The Legislature has, by the restriction law, sanctioned for many years a most unjust interference in all contracts, benefiting one of the contracting parties at the expense of the other. No complaint has been so common as the increased prices of every commodity, but very few know, or can be made to understand, how large a portion of the [inconvenience] which they suffer, is to be ascribed, wholly, to the improper use which the Bank Directors have made of the extraordinary powers with which the Legislature has entrusted them. The evil is not less real because its source is concealed from ordinary optics.

The Bullion Committee has most ably illustrated the principles upon which a paper currency should be regulated; and I trust the day is not far distant when we shall look back with astonishment at the delusion to which we have so long been subject, in allowing a company of merchants, notoriously ignorant of the most obvious principles of political economy, to regulate at their will, the value of the property of a great portion of the community; in a country, too, justly famed for the protection which it affords to the produce of the industry of the meanest of its inhabitants.

In treading back our steps we must necessarily again interfere, not only in contracts already made, but in those now making; this is an evil inseparable from the situation in which we are involved, it must ever attend the reformation of a debased or of a depreciated currency, and, I fear, admits of no equitable remedy.

It is by many supposed that the mode recommended by the Bullion Committee for the adoption of Parliament, namely, to oblige the Bank to pay their notes on demand in specie, at the expiration of two years, will materially lessen the amount of our exports and imports. If it is meant that the nominal amount will be less, it cannot be denied, because they will be estimated in undepreciated money, but the real amount, the number of pieces of cloth, for example, exported—or the number of hogsheads of sugar imported—they must for ever be independent of the quantity or value of the circulating medium. If a merchant has a monied capital of 1000 l. with which he can purchase and export 50 pieces of cloth—and if the Bank by increasing the amount of circulating medium by advances to B. and C. so affect its value as to enable A. to purchase and export with his 1000 l. only 40 pieces of cloth, they, in fact, enable B. and C. to purchase and export the remaining 10 pieces; and if they withdraw their advances to B. and C. and thereby lessen the amount of the circulating medium, the 1000 l. of A. will regain its original value, and he will again become the exporter of fifty pieces of cloth.

The effect of the late great advances of the Bank has been precisely this, and is the same as if A. had contented himself with the employment of 800 l. only, in the purchase and exportation of cloth, and had lent the 200 l. to B. and C. and thereby enabled them to export the remaining ten pieces. There is this difference, indeed, that in the latter case A. would have received the interest on the 200 l.—whereas in the former the Bank would have received it, and it would

have been divided amongst the Proprietors of their Capital Stock.

If the Bank had doubled the circulation, A.'s 1000 l. would have purchased only 25 pieces, but the new holders of the Bank paper, would have been enabled to purchase and export the remaining 25. As in all these cases the 50 pieces of cloth would be exported, the proposed remedy for restoring the standard currency cannot have the effect of lessening the real amount of exports.

In the same manner it might be shewn that the amount of imports will not be diminished. This principle is perhaps only strictly applicable to the regular export trade of the country, as it is founded on the supposition that the speculators, who are called into existence by the abundance of paper, will be governed by the same prudence and circumspection which had before guided the transactions of real Capitalists; but, unfortunately, this is not the case. They wish to acquire fortune by a *coup-de-main*, and are enabled to force exportation, unnaturally, to every part of the world; not waiting for the regular demands of trade, but forestalling it, and thereby inverting its regular course. They forcibly divert a part of the National Capital to a trade which it would not otherwise seek. The markets abroad become glutted—no returns are made, and these speculative exporters, if they are unable to renew their bills when they become due, are not only ruined themselves, but involve in their fall the whole chain with which they are connected. This I conceive to be the true history of the present failures. Exportations so injurious can well be dispensed with.

Experience has, indeed, proved, that every alteration in the regular routine of commercial concerns, is attended with some shock to general credit. If a war break out, though no loss of capital should be sustained, the employment for that part of it which is diverted from the old channels of trade, must be sought in new directions; and the consequence

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generally is attended with convulsions in the commercial world, in which those who are trading on borrowed capitals, and who depend on the continuance of commercial credit, cannot answer the demands suddenly made on them. As the paper system, pushed to the extravagant length which it now is, affords great facilities to this description of persons, there can be no doubt that every measure which tends to correct that system, every material reduction in the quantity of paper, will greatly embarrass and cause much distress amongst those who depend upon its continuance; and though the misfortunes of every part of the community must be deplored, it is to the pernicious system which has lately prevailed, that it will alone be ascribed. The remedy may be postponed, but can never be effectual without risking the safety of those individuals.

But whatever may be lost in consequence of the difficulties to which the persons of whom we have been speaking may be exposed, cannot be regarded as a national loss; as the capital which they could command by the credit which the abundance of circulating medium afforded them will revert to those hands which have been heretofore dispossessed of it, and where it will at least be as profitably employed as in those where this ruinous system has placed it.

A merchant trading with a monied capital has been injured by the depreciation of money, as his capital has not been equal to the same extent of business as before the depreciation; but there are few merchants in this situation:—their capitals, as well as that of tradesmen, are invested in goods, ships, &c. they are rather debtors than creditors to the rest of the community. A varying circulating medium, though injurious to every class of the community, is least so to mercantile men; as the prices of their commodities will undergo the same variations as the prices of all others, their comparative value will, under all circumstances, be the same, and their nominal, not their real value, will be affected.

The depreciation of the circulating medium has been most injurious to monied men.—By monied men I mean, that class whose property consists wholly of money, the amount of which must, in this country, far exceed the total amount of the circulating medium.

It may be laid down as a principle of universal application, that every man is injured or benefited by the variation of the value of the circulating medium in proportion as his property consists of money, or as the fixed demands on him in money exceed those fixed demands which he may have on others. Thus the farmer is injured by any increase in the value of money, from whatever cause it may arise, whilst he has a fixed money rent, and fixed money taxes to pay. His produce will in consequence of the increased value of money sell for less, whilst his taxes and his rent continue the same. He must sell a greater number of quarters of corn, or whatever may be the produce of his land, to pay the same rent and the same taxes. He, more than any other class of the community, is benefited by the depreciation of money, and injured by the increase of its value. He has contracted to pay certain fixed sums,—the merchant and tradesman have done the same, but they have perhaps equal demands on others. The farmer trusts wholly to the sale of his produce; whatever, therefore, lowers the price of produce is injurious to him, without any corresponding benefit. The landlord will gain a great part of what the farmer loses, he will receive a greater real rent than he contracted for.

The landholder will be no loser, as the price of his produce will conform itself to the price of other commodities. Inasmuch as his taxes will be really increased in the same proportion as those of the farmer he will be a sufferer. But he cannot complain of injury—because, if the Bank had continued since 1797, to pay in specie as it had done before, he would not only now have to pay this amount of taxes but would have been obliged to do so for some years past. He

has had an exemption which it would be unjust to continue to him.

Applying the principle which I have already noticed to the monied man, he must of course be greatly benefited by the restoration of the currency, as he stands in relation of creditor to all those with whom he has dealings. The rate of interest, it is true, is not affected by the increased value of the circulating medium, but the value of that interest is. He may receive in both cases 500 l. for the use of 10,000 l. but he will be sensible of the real increase of his revenue, by the fall in the prices of all the commodities which he consumes. He will, as well as the landholder and farmer, have increased taxes to pay, though the same nominal amount, but he will be amply compensated by the real increase of his income. He will regain by the restoration of the currency to its original standard, that portion of his revenue of which he has long been unjustly deprived, and which has been enjoyed by the issuers of paper money. The stockholder and annuitant will, for the same reasons and in the same degree, be benefited.

The revenue will no doubt suffer some diminution, as an increase of 20 per cent. on all the existing taxes, can scarcely be paid without a considerable defalcation; in addition to which we must calculate on a deficiency in those taxes which are levied on the value of goods, such as many of the export and import duties,—the duty on houses by the rent,—the Income tax, and several others. It is certain that there will be a great deficiency in the amount of those taxes. But those who should, on account of these difficulties, contend for a continuance of the present system, should consider that a much less annual amount of loan and war taxes would be adequate to carry on the present expensive contest than what is now necessary. The loans and taxes being paid in a depreciated medium, and prices being affected in exact proportion to the depreciation, larger loans and larger taxes are requisite than what there would be, if the circulating medium

were restored to its standard value. This is capable of an easy illustration. They should also consider that the longer the remedy is delayed, the more will the nation have ultimately to pay for it. We shall have to pay on every loan which may be raised, and on which the dividend shall hereafter be paid in standard currency, not only the interest really contracted for, but also the difference between the value of the dividends estimated in the present depreciated medium and their future value to which it is intended that they shall attain. This is a consideration of no trifling importance. Will it be contended that it would be wise and prudent to render the present system permanent?—Should such a plan be adopted, it is easy to foresee that we shall fare the fate of all those countries who have run the same ruinous course before us. It is impossible that a paper-money issuable by Government, or by a chartered company, at pleasure, and which is not exchangeable for specie, at the will of the holder, can retain a permanent value. Its value must be constantly vacillating, and it is not difficult to foretell what the consequences must be of uncontrolled power remaining in the hands of the issuers of paper, whilst their interest and that of the public must necessarily be at variance.

R.

IX.

LETTER TO *THE MORNING CHRONICLE* ON
SINCLAIR'S "OBSERVATIONS"
(SEPTEMBER 18, 1810)

EDITORIAL NOTE

Sir John Sinclair's tract, "Observations on the Report of the Bullion Committee" (London: W. Bulmer & Co., 1810), was the first of that "endless succession of pamphlets" evoked by the appearance of the Bullion Report. The author, in a sense, had boxed the compass as to the Bank Restriction. In 1797 in a series of letters 'to the Governor and Directors of the Bank of England' he had expressed grave concern at the "fatal suspension" and declared "the re-opening of the Bank of England, from the effect it must have on the councils of the enemy, would be the harbinger of peace". In the succeeding thirteen years familiarity as a member of the House of Commons with the course of events, sympathy as an agricultural reformer with the advantage of cheaper money, and loyalty as a political partisan to the Bank's policy convinced Sinclair that "It is absurd to contend that the opinions of men, like the laws of the Medes and Persians, should be perfectly unalterable; and that no change of circumstances, no further experience, no new and decisive facts, should make any impression on the mind of one anxious to ascertain the truth, and open to conviction".

Printed copies of the Bullion Report had become available in "the middle of August", and Ricardo had given it blanket endorsement in *The Morning Chronicle* of September 6, 1810 (*Supra*, p. 61). Sinclair lost no time in vehement protest. The "Advertisement" to the "Observations" bears date of September 10, 1810—four days after Ricardo's first *Chronicle* letter had appeared. But advance copies must have been distributed. On September 9, 1810 the Prime Minister (Spencer Perceval) with portfolio of Chancellor of the Exchequer had already received a copy of the pamphlet from the author, read it ("it has given me great satisfaction") and returned it with concurring marginal notes. Sinclair's biographer records that the reception of the tract by the public was not less favorable than by Downing Street. Three editions were called for. Lord Moira graciously wrote "with his own hand a letter containing twenty-four quarto pages" in general support of "the able and instructive statement". Sir John Macpherson, late governor of Bengal, maintained that the pamphlet "has come forth most seasonably to prevent much mischief". The Governor of the Bank of England (John Pearse) had "no doubt I shall soon hear that your remarks have produced all the good effects the best wisher to the good of the country can desire". Wakefield "thought highly of the performance". Arthur Young "hoped Government is assiduous in the distribution of your pamphlet" and as a crowning tribute:

"A number of merchants in the city of London transmitted to the author their acknowledgements for the timely service he had done the country by the publication; and requested permission to publish two editions, one in English, for the chief commercial cities both at home and in America; and another in French, for circulation on the Continent."

From its appearance Ricardo must have realized that a reply was desirable, for its probable vogue rather than its intrinsic merit. On September 18, 1810, barely a week after the tract was on the stalls, Ricardo's critique appeared in the *Chronicle*.

[LETTER TO *The Morning Chronicle* ON SINCLAIR'S "OBSERVATIONS,"
SEPTEMBER 18, 1810.]

BULLION REPORT.

To the EDITOR of the MORNING CHRONICLE.

SIR,

I have read with attention the observations of Sir John Sinclair on the Report of the Bullion Committee, and am surprised that his ingenuity could not furnish him with any arguments against their conclusions, but such as have been again and again refuted.

It is not possible in the limits, to which, notwithstanding your indulgence, I must be confined, to point out all the false principles and uncandid statements with which the observations abound; neither would it be necessary, as the Bullion Report, though attacked, is itself an able, a satisfactory, and a conclusive answer.

Sir John takes much pains to inform us, that the increase of our commerce and of our public revenue require an additional amount of circulating medium. Who has denied it? Did he suppose that the Bullion Committee would refuse its assent to this principle? But might they not have successfully contended, that if no increase of Bank Notes beyond such necessity had taken place, no depreciation could have occurred? That it is the excess above this amount, only, whilst the Bank possesses the confidence of the public, which causes depreciation.

Before 1797, when the Bank paid in specie, increased commerce, and increased taxation might have required, precisely as they do now, an addition to the circulating medium, which the Bank might have supplied with their notes without causing any depreciation in their value as compared with gold; but if they had refused or neglected to do so, the increased

demand for money would have raised the foreign exchange above par, and the mint price of gold above the market price; or in more popular language, the market price of gold would have fallen below the mint price, and would have so continued till the Bullion Merchants had availed themselves of the advantage attending the importation of gold at the favorable exchange, and the subsequent coining of it into money, and thereby supplied the demand for currency. The exchange would then have been at or about par, and the market and mint prices of gold at the usual level. The paper given in to the Committee by Mr. Pearse, and on which Sir John rests his assertion, that it is proved as a matter of fact, that there is no connection whatever between the amount of paper currency issued by the Bank of England, and the rate of exchange, appears to confirm this reasoning. This paper attempted to prove, that "from January 1803, to the end of the year 1807, a period of not less than about four years, the amount of Bank Notes fluctuated from 16½ to 18 millions, and the exchange on Hamburgh varied from 32.10 to 35.6, becoming more favourable as the amount of Bank Notes increased."

To which I answer, that no such additions could have been made in those years to the circulating medium, without lowering the foreign exchanges, and raising the price of Gold Bullion, if our increased commerce, and increased taxation, had not rendered an addition to the circulating medium necessary.

That this country has since 1797 greatly increased in wealth and prosperity, is not denied; but it cannot be justly estimated by a comparison of the nominal amount of our exports and imports, at that period and at this, because they are now estimated in a depreciated circulating medium. If the currency were now doubled, the nominal value of the exports and imports would double also, but some more solid proof would be required of the country having increased its wealth in the same proportion.

The difference of the rate of interest at which the loans have been raised, is an argument of much more weight.

Sir John informs us, on the authority of the Bullion Committee, that the exchange was greatly unfavourable to this country during the reign of King William, and that in consequence guineas were then as high as thirty shillings each. Here his information ends, but it would have been candid if he had added from the same authority, that at that period the silver coin (which was then the standard measure of value) was greatly debased, and Bank Notes were in excess. "At length," says the Report, "the true remedies were resorted to: first by a new coinage of silver, which restored that part of the currency to its standard value, though the scarcity of money, occasioned by calling in the old coin, brought the Bank into streights, and even for a time affected its credit; secondly, by taking out of the circulation the excess of Bank notes."

Sir John dwells with much complacency, in his own opinion, that coin or bullion ought to be considered merely as merchandize, being sanctioned by the authority of many respectable witnesses examined before the Committee. I cannot find this principle questioned in the Report, though when Sir John informs us, that under the influence of respect for the Report of the Committee, he provided himself with some gold on his journey from Edinburgh to London, but found that the depreciated currency was equally useful with the coin, he seems to have forgotten its value as merchandize, as in that state it would certainly have procured him a few additional luxuries on his journey.

Sir John accuses the Committee of recommending the exportation of at least 20 millions of goods, and the importation in return of bullion, the absurdity of which, he observes, is self-evident. I have in vain looked over the Report for any foundation for this charge. Such a measure might be necessary in the contemplation of Sir John, if the Bank paid in

specie, but on the principles of the Bullion Committee, that the circulation is in excess, and the excess could well be spared, there could be no necessity for any material importation of gold. Their recommendation is to lessen the amount of the circulating medium, and not to exchange one currency for another. Neither do the Committee express any expectation that the exchange will be brought to par, when the Bank is open, by the exportation of bullion, but by a reduction in the amount of the circulating medium, which will increase its value, not only at home but in its relation to the value of the currencies of other countries. The assertion, therefore, "that there is a great fallacy in the argument that opening the Bank would improve the exchange by the exportation of bullion," will not apply to the Report.

One of the advantages attending the increase of paper circulation is, according to Sir John Sinclair, that the interest for the use of money is thereby reduced. "Let us suppose," he says, "the total circulation of Great Britain to be 40 millions sterling in coin and in paper, bearing an interest of 5 per cent.; if it were reduced to 30 millions, bearing an interest of 6 per cent. how much would not the industry of the nation be cramped? whereas, were it raised to 50 millions, bearing an interest of 4 per cent. and the whole of it actively employed in various industrious pursuits, it cannot be doubted, that the prosperity of the country would increase with a celerity, and be carried to a height, which would not otherwise have been attainable." If this reasoning be just, how incalculable would the prosperity of the country become, if the Bank would increase their notes to 100 million and lend them at 3 per cent.

If Sir John will take the trouble to consult the 4th chap. 2d book, of Dr. A. Smith's celebrated work, he will there see it undeniably demonstrated, that the rate of interest for money is totally independent of the nominal amount of the circulating medium. It is regulated solely by the competition of capital, not consisting of money. The real amount of the

circulating medium, with the same amount of commerce and confidence, must always be the same; it may, indeed, be called 100 millions, or 20 millions, but the real value of the one or the other sum must be the same. He will also see in the same work, that the power of "effecting lasting improvements, such as roads, canals, bridges, harbours, mines, buildings, &c. &c." depends upon the real wealth and capital of the country, and can neither be accelerated or retarded by the amount of the circulating medium.

"Let us suppose," says Sir John, "that the goods annually produced in the united kingdom are worth 100 millions sterling, per annum; if the quantity were increased one-fifth, and if the price were lowered in proportion, we should not, *in a pecuniary point of view*, be one farthing richer; and in regard to finance, the people at large would, in fact, be less able than before to furnish supplies to the Exchequer. Those who purchased goods cheaper, and consumed them, might, to a certain extent, be benefitted, and be enabled of course to pay more to the public; but all the various classes of the community, by whose industry the goods were made and brought to market, would not be able to pay near so much as they did before, and would necessarily be impoverished."

2. "Let us next suppose," says Sir John, "that the quantity of goods remains the same, but that the price increases one-fifth. The amount of the annual income of the nation would then rise from 100 to 120 millions in value, and there would be a much larger fund for paying the demands of the public."

That is to say, that a country which by its industry adds one-fifth to the annual produce of her land and labour becomes less capable of contributing to the exigencies of the state.

It would, to me, appear that if the prices of commodities be increased a fifth, a greater nominal revenue might possibly be levied on the people, but as the money raised would be expended by Government in the purchase of commodities

which had also increased a fifth in price, no considerable advantage would attend this ingenious experiment.

Nothing is wealth, according to these principles, but money, a doctrine which has been before maintained, but ably refuted by Dr. Adam Smith. It was reserved for this writer to contend not only that money is exclusively wealth, but paper money depreciated to any possible extent. How inexhaustible are our resources! Is it by such arguments that the reasoning of the Bullion Committee is to be overturned?

I am, Sir, &c.

R.

X.

LETTER TO *THE MORNING CHRONICLE* ON
RANDLE JACKSON'S "BANK SPEECH"
(SEPTEMBER 24, 1810)

EDITORIAL NOTE

At the General Court of the Bank of England held on September 20, 1810 the Bullion Report was raked fore and aft in a lengthy address by Randle Jackson, Esq. A full report of the speech was published in *The Morning Chronicle* of September 21, 1810 and some time thereafter the text was issued in pamphlet form with a series of notes, 'called for by the animadversions which have been since published' ("Advertisement"), as: "The Speech of Randle Jackson, Esq. delivered at the General Court of the Bank of England, held on the 20th of September, 1810, respecting the Report of the Bullion Committee of the House of Commons; with Notes on the Subject of that Report". 54 pp. London (J. Butterworth, J. M. Richardson, J. Hatchard, etc.). The speech, even in its newspaper version, drew fire from the friends of the Report. Ricardo was quick to make answer, in the following letter appearing in the *Chronicle* four days after Jackson had spoken (cf. also *supra*, p. 49). Huskisson was more deliberate—and more forcible. Jackson's speech was made "long after" the body of Huskisson's influential "Depreciation of our Currency" had been completed. But in the Preface (dated October 23, 1810) and in a lengthy footnote Huskisson wrote with vigor. Jackson was "The Orator of the Bank" (p. 79n); their "learned advocate" (p. 80), and conspicuous among those whose "pens are employed to propagate most false and dangerous theories" and who go "out of their way to misrepresent the conduct and to cast obloquy on the characters and motives" of those who differed from them (Preface, ii).

[LETTER TO *The Morning Chronicle* ON RANDLE JACKSON'S "BANK SPEECH", SEPTEMBER 24, 1810.]

BULLION REPORT

To the EDITOR of the MORNING CHRONICLE.

Permit me, Sir, through the medium of your Paper, to make a few remarks on the speech of Mr. Randle Jackson, delivered at the Bank Court on Thursday last, on the subject of the Report of the Bullion Committee.

I cannot help lamenting, that those who differ from the Report, should endeavour, by every means in their power, to impress on the public mind, that the question in dispute is a party question, and that in this attempt they should have received the sanction of Mr. Jackson. If ever there was a question, which, from its importance, peculiarly required to be considered on its own merits only, it is the present state of our currency, connected as it necessarily is with the best interests of the community.

When the Hon. Proprietor commenced his speech, I hoped he would have discussed it as a subject of science, admitting of clear and obvious deductions from the known principles of political economy. I anxiously waited for his proofs of the fallacious propositions with which he stated the Report abounded—I expected that he would have grappled with some of its leading principles—have traced them to their source—detected their errors and exposed their sophistry. I expected that he would have favoured us with his own theory on the subject of money, adorned by all the graces of his eloquence, and supported by such authorities as must have commanded respect and attention. I expected, in short, to have quitted the Court enlightened and informed on a subject which possesses peculiar interest to me; but, Sir, these expectations were not to be realized; I was doomed to listen to an unmeaning attack on what was called the party spirit which dictated

the Report, and to a repetition of the worst of the erroneous opinions which were delivered in evidence to the Committee, and which the Report itself has so ably confuted.

One of the first observations made by Mr. Jackson was, that the Committee had reported contrary to the evidence. He of course did not mean to charge them with any misstatement of facts, but of drawing conclusions directly contrary to the *opinion* given by the gentlemen whom they examined. As the evidence were not unanimous in their opinion, as the respectable authority of the late Sir F. Baring was with the Committee, they would have been equally liable to this charge on whichever side they had reported. This censure the Committee had no means of avoiding. The charge in fact means, that they erred in not agreeing with the opinions of the Bank Directors. Now, Sir, this is the feature in the Report which, I think, is its peculiar recommendation;—it has demonstratively proved that those opinions were founded on false principles, and has, I hope, for ever, rescued us from their further and fatal influence. It is to be regretted, that truth is but slow in its progress; but it will not fail ultimately to triumph. We may be deprived for a time of the beneficial efforts of the labours of the Bullion Committee, but the true principles of currency, developed in their Report, can happily never be stifled. Did Mr. Jackson mean to contend, that the Committee were not to exercise their judgment on the facts laid before them, but that they were bound to report the opinions of others? To what consequences would not such an opinion lead? Merchants may understand the details of business—they may give much useful information; but it does not therefore follow that they are qualified to give sound opinions on points of theory and science. Glass-makers and dyers are not necessarily chemists, because the principles of chemistry are intimately connected with their trades.

If it be true “that it is impossible that any greater aspersion could be thrown on the Bank, than that it was they who had increased the price of the necessaries of life,” I fear they

must continue to suffer under it, notwithstanding the defence made for them by Mr. Jackson. "But what is meant," he asks, "by an excessive issue, to which these high prices are imputed?"—Though this question has been often answered, I will again endeavour to satisfy it, and for that purpose will avail myself of the assistance of Dr. Adam Smith.

"Let us suppose," says that writer, "that the whole circulating money of some particular country, amounted, at a particular time, to one million sterling, that sum being then sufficient for circulating the whole annual produce of their land and labour. Let us suppose too that some time thereafter different banks and bankers issued promissory notes, payable to the bearer, to the extent of one million, reserving in their different coffers two hundred thousand pounds for answering occasional demands. There would remain, therefore, in circulation eight hundred thousand pounds in gold and silver, and a million of bank notes, or eighteen hundred thousand pounds of paper and money together. But the annual produce of the land and labour of the country had before required only one million to circulate and distribute it to its proper consumers, and that annual produce cannot be immediately augmented by those operations of banking. One million will therefore be sufficient to circulate after them. The goods to be bought and sold being precisely the same as before, the same quantity of money will be sufficient for buying and selling them. The channel of circulation, if I may be allowed such an expression, will remain precisely the same as before. One million we have supposed sufficient to fill that channel. Whatever, therefore, is poured into it beyond this sum cannot run into it, but must overflow. One million eight hundred thousand pounds are poured into it, 800,000 l. therefore, must overflow, that sum being over and above what can be employed in the circulation of the country. It will, therefore, be sent abroad, in order to seek that profitable employment which it cannot find at home. But the paper cannot go abroad, because at a distance from the Banks which issue it,

and from the country in which payment of it can be exacted by law, it will not be received in common payments. Gold and silver, therefore to the amount of eight hundred thousand pounds, will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of a million of those metals which filled it before."

So far there is no excess, but if, as is the case in this country, the Bank should be protected from paying its notes in specie, and should increase their issues to 1,200,000 l., I should call the 200,000 l. excessive. It could not, as formerly overflow and be exported, because every part of the currency consisted of paper, it must therefore either enlarge the channel of circulation, raising in the same proportion the prices of all commodities, not excepting gold and silver bullion, or it must, as is contended by the Bank Directors in their evidence before the Committee, return to them in the payment of bills discounted, as no one would consent, they say, to pay interest for 200,000 l. which was superfluous and excessive. Here then the whole dispute rests, and Mr. Jackson should have exercised his talents in defence of this main prop of the Bank Directors.

If this falls, and it be proved that the 200,000 l. will remain in circulation, and admits of being increased to two millions, or any other amount, all the ingenious reasoning of Mr. Jackson on the hardship to which the Bank will be subjected, by a repeal of the Restriction Bill, in being obliged to purchase gold bullion, not only at the present high price, but at any advance which the avarice of the dealers in bullion will add to it, must fall with it—as it will then appear evident that the Bank have the power of raising or falling, at their pleasure, not only the prices of bullion, but of every other commodity for which their notes are exchangeable.

In defence of my opinion, that the channel of circulation admits of indefinite enlargement, I have the authority of historical facts, the discovery of the mines of America must at least have trebled the amount of money. This increased

amount of circulating medium, according to Dr. Smith, could have had no effect on the rate of interest for money. In the 4th chapter of the 2d book of the Wealth of Nations, to which I, in my last letter referred, it is demonstrated that the rate of interest depends on the rate of profits, which again is totally independent of the nominal amount of the circulating medium. Admitting this fact; if profits be high, and the Bank is willing to lend at a low interest, can there be any conceivable number of Bank Notes which may not be applied for? Let us suppose that the Bank had a mine of gold on its own premises and that England were insulated from all other countries—might they not have their gold coined into guineas and discount bills with them to an indefinite amount? Where is the difference in the present case? Our currency is insulated from all others, and may, by the same rule, be indefinitely increased. But the Bank never discount bills, but such as are for bona fide transactions.—Suppose A. to sell a hogshead of sugar to B. and draw a bill for its value at two months;—suppose further, that B. sells the sugar to a grocer either in London or the country, and to draw another bill at two months, are not these both *bona fide* transactions? And will not the Bank discount both bills? Can it be seriously contended that these are checks which will keep the currency within proper limits?

It is observed by Dr. Adam Smith, “that the whole paper money of every kind which can easily circulate in any country, never can exceed the value of the gold and silver, of which it supplies the place, or which (the commerce being supposed the same) would circulate there if there were no paper money.”

Let us try our circulation by this test. Let it be supposed possible that the Bank of England, and the Country Banks, could pay every note in circulation with specie, could the whole be kept in circulation? No; the excess would at the present exchange go abroad as bullion, and there seek a better market.

This is admitted by the Directors and their defenders. The circulation of England, therefore, according to Dr. Smith's rule, is excessive, because it exceeds the quantity of gold and silver of which it supplies the place, and which would circulate there if there were no paper. "But the Bank has been surprisingly parsimonious in their issues," says Mr. Jackson; "they have not, since 1797, exceeded their average issues more than 7 millions, whilst the Country Banks have increased theirs 20 millions." So then it is allowed, that the town and country issues have been increased 27 millions; and yet we are gravely asked: what is meant by excessive issues? and it is deemed an aspersion of the character of the Bank, who have the power of regulating the amount of the country currency, because they are accused of being the cause of the high price of provisions, and of the other necessaries of life.

The Bank might make a simple experiment, by which the soundness of the principles on which the Bullion Report is founded might be fairly tried. Let them withdraw one million of notes from circulation, and if in three months no effect should thereby be produced on the price of bullion and the rates of exchange, they may then fairly exult in the justness of their views.

Mr. Jackson thinks the Directors blameless because they have to receive eighteen millions of the public, whilst the amount of their notes does not exceed twenty millions; he informs us that the Bank could raise the remaining two millions in half an hour, if it were wanted. This would be a good argument to prove the solvency of the Bank, of which no man doubts, but is of no avail against the accusation of an excessive currency. The same might be urged if 100 millions of Bank notes were in circulation and 98 had been issued in discounts. What again can the fact of the public participating in the profits of the Bank have to do with the question at issue?

Most willingly do I agree with Mr. Jackson in the just tribute which he paid to the disinterestedness and integrity

of the Bank Directors; but I can go no further with him, and must deny them the character for ability and discretion, which he also bestows on them. But if men less scrupulous had been in the Direction, they might, with the power which they possessed, have alternately raised and depressed the price of Bullion, by the increase or diminution of their notes, and might either in their corporate or individual capacities have taken advantage of the successive variations.

I do not recollect that any of the Merchants in their evidence stated, as Mr. Jackson asserts, that the price of Bullion has no influence on foreign exchanges; neither was he correct in his statement, that in the year 1797, when the price of Bullion was very low, the exchange upon Hamburgh was, *as now*, 38 and a fraction.

This, which he considers as a strong instance against the opinion of the Committee, was unfortunately chosen, the fact being directly otherwise. The price of bullion is now high, and the exchange is proportionally low, being at 31.6. and not at 38. I believe Mr. Jackson can bring no proof of a high price of bullion being unaccompanied by a low exchange—and a low price of bullion by a high exchange. But, Sir, the Report is the best antidote to these attacks—if that be but read I shall not fear the result, as it cannot fail to carry conviction to every unprejudiced mind.

I am, Sir, &c.

R.

XI.

NOTES ON COUTTS TROTTER'S "PRINCIPLES OF
CURRENCY AND EXCHANGES" (1810)

EDITORIAL NOTE

The attitude of the Bank directorate in testimony before the Bullion Committee was entrenched stolidity. With the publication of the Report this was succeeded by sharp attack upon the Committee's conclusions and by stout defence of the Bank's practice. The new aggressive is typified in Randle Jackson's speech (*supra*, p. 70); in more formal manner it appears in Charles Bosanquet's "Practical Observations on the Report of the Bullion Committee" (post-script to text dated November 14, 1810) and in Coutts Trotter's "Principles of Currency and Exchanges" (title-page dated December 1, 1810). Bosanquet's tract evoked Ricardo's classic "Reply to Bosanquet"—to McCulloch, "One of the best essays that has appeared on any disputed question of Political Economy"; Trotter's essay induced from the same quarter the series of reader's comments, here printed from memoranda contained without heading in the Ricardo MSS.

The full title of Trotter's tract (80 pp.) is: "The Principles of Currency and Exchanges applied to the Report from the Select Committee of the House of Commons, appointed to inquire into the High Price of Gold Bullion, &c. &c." It was sold by Cadell and Davies and reached a second edition within the year. The author was a distinguished member of a distinguished house. Born on February 15, 1767, the fourth and youngest son of "highly respectable and highly connected parentage" in Mid Lothian, he had been sent with two brothers, like other Scottish youth, to win a place in the metropolis ("Annual Register", 1837, p. 203; *Gentleman's Magazine*, October 1837, p. 423). Of the brothers, Alexander through family interest obtained a clerkship in the Navy Office, rose to high position and was eventually involved in the Lord Melville scandal (Jerdan's "Autobiography", 1852, vol. ii, pp. 214-220). Probably through Alexander's influence Coutts Trotter secured a clerkship in the Navy Pay Office. His merits attracted the interest of a powerful banker kinsman, Thomas Coutts, whose counting room in the Strand was rapidly becoming the financial center of Pitt's administration. "I must take another partner," Thomas Coutts wrote to Crawford in 1793. "I think of Mr. Coutts Trotter who, I believe, you know. He is a very deserving young man, and clever" (Coleridge, "Thomas Coutts", 1920, vol. ii, p. 26). Six weeks later he was admitted to partnership, and thereafter his rise in the financial world was uninterrupted. He was created a baronet in 1821, and died in 1837 as senior partner of Coutts & Co.

[NOTES ON TROTTER'S "PRINCIPLES OF CURRENCY AND EXCHANGES",
1810]

[PAGE]

7. and obliged.¹
12. Up to this page there is not a word with which I do not agree.
13. Whilst money is not depreciated, and the nominal prices of commodities not raised. If with payments to the amount of 100 millions 10 millions be sufficient for circulation, no more than that sum will be used, unless the money be depreciated in value. The payments may by depreciation of money be increased to 200 millions nominally; in such case 20 millions of the depreciated money will be required for circulation.
14. A circulation can never be so saturated as to (*sic*) incapable of admitting more. Before the discovery of America the same portion of commerce which now requires three millions of money was carried on (confidence credit, and the economy introduced by banking being supposed the same) by one million. The currency is no more saturated with 3 millions now than it was with one then. It might as reasonably be contended that the two millions would flow back to the mine which produced it, as that the notes of the Bank of England, under the present system, should flow back to the issuers.
17. This would be true if the notes retained their value, but when abundant their value sinks and a greater amount becomes necessary for the same amount of trade and commerce.
19. The correctness of these arguments depends entirely on the fact of the paper retaining its value,—they take for granted the subject in dispute. There is no question

¹To be inserted, perhaps, after "engaged" in seventh line from bottom.

that the effects would be as here stated, if the paper did not whilst it was abundant cause depreciation.

(See page 15)

21. 1. Impossible if not forced out by paper.
2. This is true if applied to a short period. Between the moment of the overissues of notes and their depreciation, there will necessarily be something like a glut of money in the market, but as soon as depreciation takes place, there is no longer a redundancy of money.
24. 1. This is perfectly a correct way of stating it, and should have been adhered to in Page 50.
2. May not small notes to any requisite amount be obtained at the Bank in exchange for large notes?
25. 1. Perfectly correct
2. Certainly not so much, or the present circulation could not be depreciated.
26. 1. Has the trade increased a fourth as well as the money; if not the increase of money is excessive.
2. Taxation does not require any addition of money, or if any so little as not to be worth computing.
3. No; they have deposits of Exchequer bills in London, and have very few Bank of England notes. There is no temptation to Exchange country bank notes for anything but bills on London. See Mr. Stuckey's evidence Bullion Rep^t.
27. 1. Much is owing to depreciation.
2. D^o.
28. 1. Caused by the depreciation of the currency. If money were depreciated 50 pct., the wages of labour would rise, and the same argument might be used. The point in dispute is constantly taken for granted.
2. This principle limits the proportion of the value of money to the value of goods, but does not limit its absolute quantity.
29. 1. Of this the Committee were aware. The check against excess is convertibility of paper into gold whenever its

value becomes less than gold coin. There never could be any temptation to demand gold coin for all the notes in circulation, unless the bank should lose all credit with the public. This is not the case at present, and is a danger against which no human prudence can wholly guard us.

30. 1. This is no argument against the fact of an overissue of paper.
2. All this is allowed; but it is contended that it cannot be exchanged for so much of those things which man desires, or as gold can purchase, as it would do under a better system. We do not say that paper currency is good for nothing but that it is not so good as it would and ought to be.
31. It is not fair to charge us with wanting gold; we contend that we should not want it nor take it, if we could get it. We wish only to have the right to obtain it as an effectual security against the depreciation of our property.
32. 1. We have no childish affection for gold more than for paper. Not a complaint would be heard if the paper was not depreciated.
2. We do not complain of any fall in the value of paper which it suffers in common with gold, but of that fall over and above that which gold sustains.
3. It is not correct to say that they command every article at their original value. Our complaint is that they do not.
33. 1. This is our argument.
2. All these conclusions are without proof.
34. But let us fairly state how much is owing to one cause, how much to the other.
35. Every increase of population must arise from an increase of capital, and has a tendency to lower the prices of commodities and therefore the wages of labour, not to raise them.

36. Taxation has some effect no doubt, but will not account for the rise in the price of gold.
37. An increase of Capital never raises the prices of commodities, but an increase of money unaccompanied by an increase of Capital invariably does. Can there be an increase of population without an increase of Capital having preceded it? Yet in Page 35 we are told that an increase of population will occasion a rise in the prices of commodities, and in the wages of labour.
38. The same cause, namely: an increase of money, which will induce him to give a higher price for goods, will secure him one proportionally higher when he sells again. A competition of Capitalists keeps down prices, but money is not Capital. An increase of Capital is attended with all the benefits enumerated; an increase of money to be retained in circulation is unattended with any benefit whatever.
39. 1. This has not been shewn.
2. Not frequent exchanges.
40. 1. In either case the holder of bank notes has equal cause for complaint Why should he not gain from the rise of bullion as well as lose from the fall? If bullion falls in value, the value of money, whilst the mint is open to every one, falls in the same proportion. Why should not the owner of money be benefited by the rise of bullion? Did not the author say Page 35 that the cause of the rise of the prices of commodities was the decreasing value of gold generally? Yet we are now told that bullion has risen. These opinions are directly at variance.
2. Who has asserted that gold is an unvarying standard of value? There is no unvarying standard in existence. Gold is however unvarying with regard to that money which is made of gold, and this proceeds from its being at all times convertible without expence into such money, and also from money being again convertible into gold

bullion. If an ounce of gold bullion from being worth 15 ounces of silver rises to the value of 30 ounces of silver, an ounce of gold coin will do the same.

41. 1. The discovery of the American mines though they had quadrupled the amount of gold would not have sunk its price whilst the mint price had not altered, and whilst it was measured by gold coin.
2. In America it is cheaper than in Europe but not cheaper measured in gold money. It is cheaper in labour,—cheaper in most goods or it would not be exported from thence.
42. 1. We have unfortunately created inconveniences by improper interference already. A second interference is necessary in consequence of the first.
2. A country generally speaking never does this,—and if it did so, the exchange would not be affected till the debtor country was preparing to make the payment, and then it would not vary beyond the limits stated by the bullion Committee.
44. This is the fallacy. If the preceding position could be admitted gold might rise in *value*, but not in *price* whilst measured in gold coin or in bank notes accurately representing such coin,—[if] * particularly if one class of the community had no scruple to evade the law, and exported or melted the coin as best suited their convenience.
45. This paragraph is indisputable.
46. 1. Yes if the trade were advantageous.
2. True but within the limits specified by the committee.
3. Was it not allowed, Page 15, that the issues of paper forced the exportation of gold. Would not the reduction of their amount check exportation, and if carried sufficiently far produce importation?
47. 1. This is a just principle, but why does [it not] * make gold revert back to us from the continent? The abun-

* Deleted.

* Replaces "not it."

dance of paper. For the same reason that there could be no redundancy here; there could, under a sound system, be no deficiency.

2. This would be difficult to admit under any circumstances, but is wholly impossible whilst any commodities are imported. If commodities are imported for gold, the conclusion that gold is dearer abroad is inevitable.
48. It is dearer compared with the depreciated currency, but cheaper compared with all other things.
49. It is not denied any where, that with a low exchange gold has a tendency, with the present legal restraint, to become more valuable than an equal weight of coin, and an opposite tendency with a high exchange; but the effects are very limited.
50. 1. How much of this was in small notes? It has been acknowledged, Page 24, that they should be left out of the account. Besides in the year 1797 the currency was much below its natural level as the exchange and the coinage will indicate.
2. The effects of the increased issues of the years 1800, 1, 2, 3, 4, 5, 6 and 7 were at length but not immediately counteracted by the exportation of bullion.
51. 1. I see no absurdity in such view.
52. 1. Not the same currency but one reduced by the exportation of the coin.
2. It is not the price given by Mr. Goldsmid "which will strike off a million from the value of our currency", any more than an extravagant price for coffee will add to the value of that commodity, unless in both instances the price given is the fair, steady market price of the commodity. If so it is of little consequence whether one ounce or a thousand ounces be actually purchased. It is not the purchase but the price which proves depreciation.
53. 1. The Bank, one of the parties, have placed themselves there, and may extricate themselves from the consequences by diminishing the amount of their notes.

2. Whether intended or not the effect was such till the present period.
54. This is assuming the point in dispute. Coin is degraded in this case by the tower stamp, and no efforts of Government can or ought to keep it in that state. It is bad policy and at the same time contrary to every principle of equity. Bank notes can be kept in their degraded state and are therefore subject to a depreciation from which coin is exempted.
55. Where do the Committee say that they are not cause and effect? The exchange is affected by the Bank issues, and becomes in its turn the cause of the high price of bullion.
56. A high price in paper does not enable us to obtain that article; it is only a nominally not a really high price.
57. The current gold coin possesses the same power, and is used for such purposes by many without scruple. The author, Page 15, has himself told us so. Gold coin cannot therefore sink much beneath the value of gold bullion.
58. This is the point in dispute. I deny it.
59. But why have we not gold? The author has himself, Page 15, answered. The issues of banks have forced it out of the country.
60. The author forgets that the Committee are of opinion that a favourable or an unfavourable balance of trade is controlled by the Bank issues.
63. Not because he thought so, but that alive to his interest he felt that in twenty guineas he possessed a value superior to £21, in notes.
64. 1. The fact is, we have degraded our currency equally to that of Ireland, instead of raising that of Ireland up to ours. Two blacks will not make a white.
2. Over-issues are possible then! I wish the author had explained what in his opinion would be the effects of the overissues of the Bank, *if the case were possible.*

Would they be in any thing different from what we now see.

66. It was a want of currency which aggravated the evil arising from want of confidence. The issue of commercial Exchequer bills induced the Bank to advance money on them, which they would not have done on other securities.
70. 1. When peace comes we shall not want for advocates for a continuance of the restriction bill.
 2. There would be no such necessity. A contraction of their notes would make others import gold.
 3. But the exchanges are controulable by the Bank issues.
71. 1. Yes; but caused by over-issues. Let paper be contracted and the inducement will cease. (See page 15).
 2. An unbounded importation of gold would be the result; a measure by no means desirable. Our adversaries charge us with being unfriendly to a paper circulation; this is not just—it is of its abuse that we complain.
72. 1. Is not the principle of the Committee which is so often denied in this work acknowledged here, viz. that a reduction of notes, or rather their annihilation would cause the import of the precious metals, and consequently of a favourable exchange?
 2. What is meant by “bringing up our currency to the war-price of bullion”? Would the price of gold under the circumstances supposed be above £3. 17. 10½ p^r. oz.?
 If it were who would take any part of the 20 millions imported to the mint to be coined? The bank it must be remembered is supposed to have ceased to exist.
 3. The measure would be improvident and ruinous, because the same good might be obtained with a very small sacrifice.
73. Can the consequences be contemplated, without the most fearful alarm, of every creditor insisting on payments

being made to him in coin, to which by law he is entitled? Let them insist on this right and bank notes would be immediately at a great and acknowledged discount.

75. We might have been secured from all such consequences by a reduction in the amount of paper, at any time since the alarm ceased in 1797.
76. But if those public grounds are proved to have ceased, should not the measure itself?
77. They justly distinguish what is imputable to this cause, and what to other causes. The machine is by no means unintelligible to those against whom it is charged. I suspect the saddle is put on the wrong horse.
78. 1. Entirely within our control.
2. I doubt much whether bullion can ever fall to its mint price, whilst the present amount of paper continues in circulation. I should say decidedly it could not (unless our commerce was greatly to increase), if the value of gold and silver did not fall in Europe equal to the depreciation of our paper. This would have the effect of increasing the currencies of other countries in the same proportion in which ours has been increased.

XII.

NOTES ON [VANSITTART'S] "PROPOSITIONS
RESPECTING MONEY, BULLION AND
EXCHANGES" (1811)

EDITORIAL NOTE

On May 6, 1811, the House of Commons resolved itself into a Committee of the whole House to consider the Bullion Report, and Francis Horner after "a long and closely reasoned speech (Smart, "Annals", p. 292) moved a series of sixteen resolutions embodying the essentials of the Report. A four-days' debate followed, with the important parliamentary figures in the controversy taking part. In the end the entire resolutions were thrown out—"the first by 151 to 75, the 16th by 180 to 45, while the other fourteen were negatived without a division" (*ibid.*, pp. 295-296). Intent on threshing a dead horse, Vansittart three days later (May 13, 1811) introduced a series of seventeen rival "Propositions respecting Money, Bullion and Exchanges" modelled on Horner's resolutions and sustaining in terms that have become historic the anti-Report side. A less notable debate ensued and on May 15, 1811, all the resolutions were carried without amendment or division. The text of Vansittart's resolutions must have been of record or at least available a fortnight before (Hansard, "Parliamentary Debates", xx, 1). As reprinted in the official British Parliamentary Papers, 1810-11 (X, No. 266), the text is dated May 3, 1811, while a series of eight nullifying "Amendments to the Propositions respecting Money, Bullion and Exchanges" (*ibid.*, No. 267) formulated by Horner ("with a view to fair and convenient discussion"; Hansard, xx, 1-2) is dated April 26, 1811.

As arch-champion of the Bullion Report—"a more just exposition of the true principles which should regulate the currency of nations, than has before appeared in any authoritative shape, in this or any other country" ("Reply to Bosanquet", 1811, p. 1)—Ricardo was certain to have subjected the Vansittart "Propositions" to scrutiny and stricture. The "Observations" here printed from the Ricardo MSS. deal exclusively with questions of fact; issues of principle Ricardo doubtless felt had been sufficiently treated elsewhere. The last "Observation" deals with the tenth "Proposition". Ricardo's interest may have been diverted at this point, or found nothing further to criticize or the manuscript itself may be incomplete.

For greater convenience, Vansittart's "Propositions" and Horner's rejected "Amendments"—although by no means inaccessible (Hansard, xx, 69-74, 172-176) have been reprinted from photostat reproductions of the parliamentary texts in the New York Public Library.

3 May 1811.

PROPOSITIONS
RESPECTING
MONEY,
BULLION AND EXCHANGES.

I.

THAT the right of establishing and regulating the legal Money of this Kingdom hath at all times been a Royal Prerogative, vested in the Sovereigns thereof, who have from time to time exercised the same as they have seen fit, in changing such legal Money, or altering and varying the value, and enforcing or restraining the circulation thereof, by Proclamation, or in concurrence with the Estates of the Realm by Act of Parliament: and that such legal Money cannot lawfully be defaced, melted down or exported.

II.—THAT the Promissory Notes of the Governor and Company of the Bank of England are engagements to pay certain sums of Money in the legal Coin of this Kingdom; and that for more than a century past, the said Governor and Company were at all times ready to discharge such Promissory Notes in legal Coin of the Realm, until restrained from so doing on the 25th of February 1797, by His Majesty's Order in Council, confirmed by Act of Parliament.

III.—THAT the Promissory Notes of the said Company have hitherto been, and are at this time, held in public estimation to be equivalent to the legal Coin of the Realm, and generally accepted as such in all pecuniary transactions to which such Coin is legally applicable.

IV.—THAT at various periods, as well before as since the said Restriction, the Exchanges between Great Britain and several other Countries have been unfavourable to Great Britain: and that during such periods, the prices of Gold and Silver Bullion, especially of such Gold Bullion as could be legally exported, have frequently risen above the Mint price; and the coinage of Money at the Mint has been either wholly suspended or greatly diminished

in amount: and that such circumstances have usually occurred, when expensive Naval and Military operations have been carried on Abroad, and in times of public danger or alarm, or when large importations of Grain from foreign parts have taken place.

V.—THAT such unfavourable Exchanges, and rise in the price of Bullion, occurred to a greater or less degree during the wars carried on by King William the III^d and Queen Anne; and also during part of the Seven years war, and of the American war; and during the War and Scarcity of Grain in 1795 and 1796, when the difficulty of procuring Cash or Bullion increased to such a degree, that on the 25th of February 1797, the Bank of England was restrained from making payments in Cash by an Order of Council, confirmed and continued to the present time by divers Acts of Parliament; and the Exchanges became still more unfavourable, and the price of Bullion higher, during the scarcity which prevailed for two years previous to the Peace of Amiens.

VI.—THAT the unfavourable state of the Exchanges, and the high price of Bullion, do not, in any of the instances above referred to, appear to have been produced by the restriction upon Cash payments at the Bank of England, or by any excess in the issue of Bank Notes; inasmuch as all the said instances, except the last, occurred previously to any restriction on such Cash payments; and because, so far as appears by such information as has been procured, the price of Bullion has frequently been highest, and the Exchanges most unfavourable, at periods, when the issues of Bank Notes have been considerably diminished, and they have been afterwards restored to their ordinary rates, although those issues have been increased.

VII.—THAT during the period of nearly 78 years, ending with the 1st of January 1796 and previous to the aforesaid Restriction, of which period Accounts are before the House, the price of Standard Gold in bars has been at or under the Mint price 28 years and 5 months; and above the said Mint price 48 years and 11 months; and that the price of Foreign Gold Coin has been at or under £. 3. 18. per oz. 36 years and 7 months, and above the said price 39 years and 3 months; and that during the remaining intervals no prices are stated.—And that during the same period of 78 years, the price of Standard Silver appears to have been at or under the Mint price, 3 years and 2 months only.

VIII.—THAT during the latter part and for sometime after the close of the American war, during the years 1781, 1782 and 1783, the exchange with Hamburg fell from 34.1 to 31.5, being about

8 per cent.; and the price of foreign Gold rose from £. 3. 17. 6. to £. 4. 2. 3. per oz. and the price of Dollars from 5s. 4½. per oz. to 5s. 11½. and that the Bank Notes in circulation were reduced between March 1782 and December 1782, from £. 9,160,000 to £. 5,995,000, being a diminution of above one third, and continued (with occasional variations) at such reduced rate until December 1784: and that the exchange with Hamburg rose to 34.6, and the price of Gold fell to £. 3. 17. 6. and Dollars to 5s. 1½. per oz. before the 25th February 1787, the amount of Bank Notes being then increased to £. 8,688,000.

IX.—THAT the Amount of Bank Notes in February 1787 was £. 8,688,000, and in February 1791 £. 11,699,000; and that during the same period, the sum of £. 10,704,000 was coined in Gold; and that the Exchange with Hamburg rose about 3 per cent.

X.—THAT the average amount of Bank Notes in the year 1795 was about £. 11,497,000. and on the 25th of February 1797, was reduced from £. 13,539,000 to £. 8,640,000, during which time the Exchange with Hamburg fell from 36 to 35, being about 3 per cent., and the said amount was increased to £. 11,855,000, exclusive of £. 1,542,000 in Notes of £. 1. and £. 2. each on the 1st of February 1798, during which time the Exchange rose to 38.2, being about 9 per cent.

XI.—THAT the average price of Wheat per quarter in England, in the year 1798 was 50²/₃; in 1799, 67²/₅; in 1800, 113²/₇; in 1801, 118²/₃; and in 1802, 67²/₅:

The amount of Bank Notes, of £. 5. and upwards

in 1798, about £.10,920,400. & under £.5.	£.1,788,000 =	£12,708,400.
in 1799 - - - 12,048,790. - - -	- 1,629,110 =	- 13,674,906.
in 1800 - - - 13,421,920. - - -	- 1,831,820 =	- 15,253,740.
in 1801 - - - 13,454,370. - - -	- 2,716,180 =	- 16,169,550.
in 1802 - - - 13,917,980. - - -	- 3,136,470 =	- 17,054,450.

That the Exchange with Hamburg was, in January 1798, 38²/₂; January 1799, 37⁷/₇; January 1800, 32⁷/₇; January 1801, 29⁸/₈; being in the whole a fall of above 22 per cent.—In January 1802, 32²/₂; and December 1802, 34⁷/₇; being in the whole a rise of about 13 per cent.

XII.—THAT during all the periods above referred to, previous to the commencement of the war with France in 1793, the principal States of Europe preserved their independence, and the trade and correspondence thereof were carried on conformably to the accustomed law of nations; and that although from the time

of the invasion of Holland by the French in 1795, the trade of Great Britain with the Continent was in part circumscribed and interrupted, it was carried on freely with several of the most considerable ports, and commercial correspondence was maintained at all times previous to the summer of 1807.

XIII.—THAT since the month of November 1806, and especially since the summer of 1807, a system of Exclusion has been established against the British trade on the Continent of Europe, under the influence and terror of the French power, and enforced with a degree of violence and rigor never before attempted; whereby all trade and correspondence between Britain and the continent of Europe has (with some occasional exceptions, chiefly in Sweden and in certain parts of Spain and Portugal) been hazardous, precarious and expensive, the trade being loaded with excessive freights to foreign shipping, and other unusual charges: and that the trade of Britain with the United States of America has also been uncertain and interrupted; and that in addition to these circumstances, which have greatly affected the course of payments between this country and other nations, the Naval and Military expenditure of the United Kingdom in foreign parts, has for three years past, been very great; and the price of Grain, owing to a deficiency in the crops, higher than at any time, whereof the accounts appear before Parliament, except during the scarcity of 1800 and 1801; and that large quantities thereof have been imported.

XIV.—THAT the amount of Currency necessary for carrying on the transactions of the Country, must bear a proportion to the extent of its Trade and its public Revenue and Expenditure; and that the annual amount of the Exports and Imports of Great Britain, on an average of three years, ending 5th of January 1797, was £. 48,732,651. official value; the average amount of Revenue paid into the Exchequer, including Monies raised by Lottery, £. 18,759,165.; and of Loans, £. 18,409,842., making together £. 37,169,007.; and the average amount of the Total Expenditure of Great Britain, £. 42,855,111.; and that the average amount of Bank Notes in circulation (all of which were for £. 5. or upwards) was about £. 11,262,000.; and that £. 57,274,617, had been coined in Gold during His Majesty's reign, of which a large sum was then in circulation.

That the annual amount of the Exports and Imports of Great Britain, on an average of three years, ending 5th January 1811, supposing the Imports from the East Indies and China to have been equal to their amount in the preceding year, was £. 77,971,318.;

the average amount of Revenue paid into the Exchequer, £. 62,763,746.; and of Loans, £. 12,673,548. making together £. 75,437,294.; and the average amount of the Total Expenditure of Great Britain, £. 82,205,066.; and that the average amount of Bank Notes, above £. 5. was about £. 14,265,850. and of Notes under £. 5. about £. 5,283,330.; and that the amount of Gold Coin in circulation was greatly diminished.

XV.—THAT the situation of this Kingdom, in respect of its political and commercial relations with foreign Countries, as above stated, is sufficient, without any change in the internal value of its Currency, to account for the unfavourable state of the foreign Exchanges, and for the high price of Bullion.

XVI.—THAT it is highly important that the Restriction on the payments in Cash of the Bank of England, should be removed, whenever the political and commercial relations of the Country shall render it compatible with the public interest.

XVII.—THAT under the circumstances affecting the political and commercial relations of this Kingdom with foreign Countries, it would be highly inexpedient and dangerous, now to fix a definite period for the removal of the Restriction of Cash payments at the Bank of England, prior to the term already fixed by the Act 44 Geo. III. c. 1. of six months after the conclusion of a definitive treaty of peace.

AMENDMENTS
ON THE
PROPOSITIONS
RESPECTING
MONEY, BULLION, AND EXCHANGES;
(dated, 26 April 1811.)

AMENDMENT to No. IV.

THAT, prior to the Restriction of Cash Payments, the Exchanges were never more unfavourable to Great Britain, for any length of time, than from 5 to 7 per cent. below par, the depression appearing to have never exceeded the whole expence of transmitting Specie abroad; except during a debasement of the Coins of the Realm.

That, prior to the said Restriction, the market price of Standard Gold in bars never rose above the Mint price more than $1\frac{1}{2}$ per cent. and that only for a very short interval; except in 1720 the year of the famous South Sea Scheme, when it rose to £. 4. 1. 6. per oz.; and during the periods when the coins of the Realm have been debased.

That, in periods subsequent to the said Restriction, and particularly of late years, the Exchanges have been unfavourable to Great Britain much below the limit marked by the whole cost of transmitting Specie abroad, and have continued so far a considerable time together, being at present and having been for a considerable time more than 25 per cent. below par; and in the same manner the market price of Standard Gold in bars has been and still is more than 25 per cent. above the Mint price.

AMENDMENT to No. V.

THAT, during the wars carried on by King William the III^d the Exchanges did fall below the limit fixed by the expence of transmitting Specie, and the price of Gold Bullion did rise very considerably; viz. during the debased state of the Silver Coin of the Realm: but, immediately after the reformation of the Coin, the market price of Gold fell to the Mint price, and the Exchanges rose nearly to par, although the circumstances of the War and the foreign expenditure continued unaltered.

That, between the reformation of the coin in the reign of King William and the 4th year of the Reign of King George the First,

the Guinea passed by law for 22s.; during which period therefore the Mint price of Gold was £. 4. 1. 7.

That, during the Seven Years War, and until the year 1774, the Gold Coin of the Realm was in a state of debasement.

That the price of Standard Gold in bars never exceeded the Mint price, in any one year of the American War.

That the Exchange with Hamburgh, which had been rather unfavourable to this country, during part of the year 1795, ceased to be so in March 1796, became more favourable in the month of October, and continued favourable till the 26th of February 1797, when the Restriction took place, and for some time afterwards.

That there was no rise in the price of Standard Gold in bars immediately prior to the 26th of February 1797, nor for a considerable number of years before.

That the state of the Exchanges, and of the price of Bullion, for two years previous to the Peace of Amiens, was subsequent to the said Restriction.

AMENDMENT to No. VI.

THAT, with regard to the period of 75 years ending with the 1st of January 1796, from the year 1721 to 1758, the market price of Gold never at any one time exceeded the Mint price by more than $1/2\frac{1}{4}$ per oz. and seldom by more than half that sum; from 1758 to the recoinage of the Gold in 1773, the market price of Standard Gold in bars was always above the Mint price, and sometimes exceeded it by as much as $3/6$ per oz. being the period during which the Coins were in a debased state; from the recoinage in 1773 to the 25th February 1797, the date of the Restriction, the market price of Standard Gold in bars never exceeded the Mint price, except for part of the years 1783 & 1784, when it rose $1\frac{1}{4}$ above the Mint price; since the year 1804, the price of Standard Gold in bars has been always very considerably above the Mint price, and from the end of the year 1808 to the present time, has been progressively rising (with occasional fluctuations) till it has been as high as the unprecedented price of £. 4. 18. per oz. as appears from Wetenhall's Tables.

AMENDMENT to No. VII.

THAT taking the issues of Bank Notes in circulation, not at their amount on a particular day, but on a fair average antecedent to any alteration of the Exchanges and price of Bullion, it does not appear, from the information which has been procured, that the price of Gold has been highest and the Exchanges most unfavourable when the issues of Bank Notes had been considerably

diminished, and have been restored to their ordinary rates subsequently to those issues being increased.

That since the said Restriction, the price of Bullion has been highest, and the Exchanges have been most unfavourable, at times subsequent to the periods in which the issues of Bank Notes have most increased.

AMENDMENT to No. VIII.

THAT taking the average of Bank Notes in circulation in the years 1782 and 1783, from their amount in the beginning of the months of January, March, June, October, and December in each year, and that of 1784 from their amount in the beginning of the months of March, June, October and December, (which are the returns before the House,) it appears as follows;

1782	-	-	-	-	-	£7,599,570.
1783	-	-	-	-	-	6,583,560.
1784	-	-	-	-	-	6,209,855.

That the Exchanges with Hamburgh, and the price of Foreign Gold, during the same periods, were as follows;

	1782.				1783.				1784.			
	Exch.	for	G.		Exch.	for	G.		Exch.	for	G.	
January	31.	9.	£.3.	18. 6.	32.	7.	£.4.	1. —	—	—	—	
March	32.	10.	-	3. 19. —	32.	5.	3. 19. —	—	33.	9.	£.3. 18. —	
June	32.	7.	-	3. 19. 6.	31.	5.	4. 2. 3.	—	34.	4.	3. 17. 10½	
October	32.	3.	-	4. 2. —	32.	7.	3. 19. 6.	—	34.	7.	3. 17. 10½	
December	31.	10.	4. —	1.	32.	8.	3. 19. 6.	—	34.	10.	3. 17. 10½	

That the Exchange with Hamburgh between the end of December 1784, and the 25th of February 1787, fell from 35. 6. to 34. 6.

AMENDMENT to No. IX.

THAT of the sum of £.10,704,000. stated to have been coined in Gold from February 1787 to February 1791, the sum of £. 8,084,982. was a recoinage from the light Guineas of the Realm.

AMENDMENT to No. X.

THAT the average amount of Bank Notes in circulation during the months of January and February 1795, was £. 12,452,451, and the average amount from the 1st January to 25th February 1797, was £. 9,566,430; making a difference of £. 2,886,021.

That this reduction in the amount of Bank Notes was principally effected between the middle of the month of May 1796, and the 25th of February 1797.

That the Exchange with Hamburgh fell from 36 to 32.4 (its

lowest depression during the period in question) between the 3d of February and the 4th of August 1795, during which time the average amount of Bank Notes in circulation was £. 11,464,143, having been occasionally during the time as high as £. 14,071,850, and even £. 14,876,580.

That between the 4th of August 1795, and the 1st of January 1796, the Exchange with Hamburgh rose from 32.4 to 32.7, during which period the average amount of Bank Notes in circulation was £. 11,415,653; and from the 1st of January to the 3^d of June 1796, the Exchange with Hamburgh rose from 32.7 to 34, during which period the average amount of Notes was £. 10,874,316.

That from the 3^d of June 1796 to the 25th of February 1797, during which period the amount of Bank Notes was gradually reduced to the sum of £. 8,640,250, the Exchange with Hamburgh rose to 35; and in the few months following the last reduction rose gradually to 38.

AMENDMENT to No. XIV.

THAT the average amount of Bank Notes in circulation, of £. 5. and upwards, for three years ending 5th of January 1797, was £. 10,782,780; and for the years 1808, 1809, and 1810, was £. 14,265,850.

That the average amount of Notes for £. 5. and upwards, in the year 1796, was £. 10,240,125; and in 1810 was £. 15,421,310.

OBSERVATIONS ON THE [" PROPOSITIONS RESPECTING MONEY BULLION & EXCHANGES "].

- 3^d. The Promissory Notes of the Bank of England cannot justly be said to be at "this time [" held to be "equivalent to the legal coin of the Realm" when [the coin] ¹ is bought at a prem.^m of 6 and 7 pc^t.—and when it is prevented from openly rising to 15 or 18 pc^t. (its real and intrinsic value above paper) by the tenor of the law which [deters] ² all men of character from engaging in a traffic which is [disreputable and] ³ illegal. Whilst the law can be enforced the currency may be depreciated, [coin as well as paper] ⁴ 50 pc^t.

¹ Inserted, replacing "it".

² Replacing "prohibits".

³ Inserted.

⁴ Deleted.

and yet [the coin and paper may preserve] ⁶ the same value as currency.

- 4th. At no period have the exchanges before the restriction been more unfavourable to Great Britain than 5 or 7 pc^t. [or] ⁶ the expences attending the transportation of bullion. Neither did the price of [gold bullion in bars, whilst the coin was undebased],⁷ rise above the mint price excepting in the years 1783 & 4 when it exceeded the mint price about [one penny halfpenny] ⁸ and gold bullion rose above the mint price.
5. Though the exchanges were unfavourable during the Wars of King William & Queen Anne, [this happened only so occasionally and] ⁹ in a moderate degree, all which occurrences may be satisfactorily explained [from] ¹⁰ the acknowledged state of the debasement of the coins. [That this was the principal cause is abundantly proved by the fact of] ¹¹ the price of gold falling below the mint price and the exchanges rising above par immediately on the reformation of the coin. During the seven years war the gold coin [had become] ¹² then the principal measure of value had become debased which will account for the price of gold having occasionally been as high as £4. 1. 6. The exchange was, though as low as 31.10 in 1760, never below the real par. The relative value of gold & silver was in the market at this time as 14 to 1. Gold was a legal tender in England & a pound sterling in gold was probably of less value in the market than the silver in 31/10 of Hamburgh.

The real par of exchange between England & Hamburgh when the [relative] ¹³ market value of gold &

⁶ Inserted, replacing "they may preserve in currency".

⁷ Inserted.

⁸ Inserted, replacing "bullion".

⁹ Replacing "1½".

¹⁰ Inserted, replacing "they were so occasionally".

¹¹ Inserted, replacing "1st From".

¹² Inserted, replacing "The price of gold did not".

¹³ Deleted.

¹⁴ Inserted.

silver agrees with the relative mint value, viz. as 1 to 15.07, is 35/1,—consequently when the relative value is as 1 to 14 the real par is 32/7. Now if we take into our consideration the debased state of the English coin [in the year 1700]¹⁴ it is probable that the [real]¹⁵ exchange [when]¹⁶ at 31/10 was really favourable to England.

At no period in the American War did the price of bar gold exceed the mint price excepting in 1783 when it was as high as £3. 18 pr. oz., 1½ d. above the mint price. The exchanges were [at this time never more than 3¼ pc^t.]¹⁷ below par, the lowest exchange with Hamburgh being 31/5, whilst the relative value of gold & silver was as 1 to 14 [and consequently the real par]¹⁸ 32/7. In 1795 & 6—neither the price of bar gold nor of foreign coin exceeded £3. 17. 6—nor were the exchanges at any period lower than 32/4, the relative value of gold & silver being as 1 to 14, & the real par 32/7. In 1797 when the Bank of England was restrained from making payments in Cash the exchanges were considerably in favour of England, and the price of gold 4½ d. under the mint price.

In the beginning of 1799 the exchange was [both]¹⁹ nominally & really favourable to England[, being at 37/7].²⁰ In the latter end of that year the price of silver had risen [10 pc^t. and then the currency of Hamburgh had risen relatively to that of England in the same proportion]²¹ so that the exchange tho' nominally 10 pc^t. unfavourable to England was really at par. From this Period the exchange & price of bullion were operated on by the excessive issues of the Bank, which were after sufficient intervals corrected from time to time by the exportation of the coin.

¹⁴ Inserted.

¹⁵ Deleted.

¹⁶ Inserted, replacing "never much".

¹⁷ Inserted, replacing "the real par being therefore".

¹⁸ Inserted.

- 6th [At no] ¹⁹ For a period of 22 years previous to 1st. Jan^r. 1796 that is to say from the recoinage in 1774, the price of gold in bars never exceeded the mint price existing in [the latter end of] ²⁰ 1783 & beginning of 1784 when it rose to £3. 18 pr. oz. From 1717 when gold was declared a legal tender [it] ¹⁹ to 1774 it had [generally] ²¹ been about £3. 18 pr. oz. but occasionally rose to £4 and even to £4. 1 pr. oz. This price [is] ²² justly attributable to the debased state of the coinage. It is remarkable that the price of gold in coin seldom at these periods exceeded the price of gold in bars. Since the recoinage the price of gold in coin has frequently exceeded the price of gold in bars by 2 or 3/- [which I think is a satisfactory proof that the price of gold was occasioned by the state of the currency & not in consequence of a really unfavourable exchange & any demand for gold abroad].²⁰ It would be a remarkable circumstance if one of the precious metals were not always above the mint price. In this country silver has been generally so circumstanced.
- 7th. The assertion in this resolution is by no means proved. If it is founded on Mr. Pearse's statement it must be given up as that gentleman's facts as well as his reasoning are incorrect.
8. The price of foreign gold coin is frequently 2 or 3/- pr. oz. higher than bar gold being often wanted for particular markets. It appears that in the year 1781 the price of bar gold did not exceed £3. 17. 6 [and]²³ gold in [coin is once quoted] ²⁴ £4. 10. 6. In 1782 bar gold [did] ²⁵ not exceed £3. 17. 9 & gold in [coin is once quoted] ²⁶ £4. 2. In 1783 bar gold £3. 18. & foreign gold is [in one] ²⁷ month quoted [as high as] ²⁸

¹⁹ Deleted.²⁰ Inserted.²¹ Replacing "occasionally".²² Replaces "was".²³ Replaces "nor".²⁴ Replaces "gold".²⁵ Replaces "was".²⁶ Inserted, replacing "gold".²⁷ Replaces "once".²⁸ Inserted.

£4. 2. 3 [and as low as] ²⁰ £3. 17. 9. The exchange in 1781 varied from 34/1 to 31/51 a fall of [nearly] ²⁰ 7 pc^t. but during the same period silver rose 7 pc^t. viz. from 5/5½ [which] ²¹ was the price when the exchange was 34/1 to 5/10 its price when the exchange was 31/11. In 1782 the exchange fell to 31/8 & silver rose to 5/11½. In 1783 the exchange fell to 31/5 and 31/6 and silver to 5/8½. In neither of these years was the [real] ²⁰ exchange more unfavourable to England than 3½ pc^t. It should be remarked that the price of dollars was not 5/11½ at the same period that the price of gold was £4. 2. 3. According to the wording of this resolution we should be induced to suppose that the fall of 8 pc^t. in the exchange occasioned both the high price of gold & the high price of dollars. When dollars were at 5/11½ gold in bars was at £3. 17. 9 & foreign gold in coin £4. 1 and the exchange 31/10—the relative value of gold & silver being as 1 to 13.1—so that the real par of exchange was 31/- and consequently the then exchange of 31/10 favourable to England.

I have no account of the [Bank] ²² notes in circulation in the years 1781. 2. 3. Was the circulation in March 1782 of 9,160,000 a temporary or had it been a permanent amount? What was the state of it in Jan^r. 1782; [and] ²³ in Jan^r. 1783 [it was 6,354, July 6702, Jan. 1784, 6074, July 6, 506].²³ An increase of a month or two can produce no permanent nor even a temporary effect. I should like to see the account of Bank notes in circulation up to [1790].²⁴ Mr. Vansittart wishes his readers to suppose that the price of gold did not fall to £3. 17. 6; [dollars] ²⁵ to 5/1½; and the exchange did not rise to 34/6 till [1787 till] ²⁶ the increase of Bank notes in 1787 to 3,688,000; but

²⁰ Inserted, replacing "and varied from".

²¹ Inserted.

²² Replaces "to".

²³ Inserted.

²⁴ Deleted.

²⁵ Replaces "1787".

²⁶ Replaces "silver".

it appears that [after May 1784] ⁶⁶ in Jan^r. 1784, bar gold & foreign gold were no higher than £3. 18 pr. oz., from May 1784 to August 1785 neither of them were above £3. 17. 10½ and from that period till 1792 they were never higher than £3. 17. 6. In 1784 Dollars were 5/1 [and] ⁶⁷ in 1785 as low as 5/- and the exchange was at 34/10 in 1784 and [at] ⁶⁸ 35/6 in 1785.

9. Did the exchange during the periods alluded to in these resolutions vary beyond the limits laid down as the true principle by the Report? This is the test by which they ought fairly to be tried. Who has denied that the exchange may be 1 or 2 pc^t. [or even more] ⁶⁹ at one time in favour of Hamburgh, and at another [the same] ⁷⁰ 1 or 2 pc^t. in favour of London? Who again has denied that during a period of successful commerce [that] ⁷¹ an increase of 3 or 4 millions of circulating medium may not be wanted?

This might have been occasioned too by a diminution generally in the market of the world of the value of the precious metals. The coinage [from 1787] ⁷² to 1791 [both] ⁷³ inclusive from foreign gold did not exceed £4,000,000 that from [light] ⁷⁴ guineas cannot be considered as an augmentation to the currency. [Of this 4,000,000] ⁷⁵ Mr. Vansittart states [the whole] ⁷⁶ at 10.704 millions.

10. In January 1795. the circulation of Bank notes was [from 10 to 12 millions] ⁷⁷ in [Feb^r. and] ⁷⁸ March it was as high as 14 millions but was immediately reduced to about 10 millions; it continued during the whole year between 10 & 11 millions except for one fortnight when it exceeded it. It was not till after July 1796 that the amount of notes was lowered to below 9,500,000; for the rest of the year it varied from 9,500,000 to

⁶⁶ Deleted.

⁶⁷ Replaces "to".

⁶⁸ Replaces "above".

⁶⁹ Inserted.

⁷⁰ Deleted.

⁷¹ Replaces "of 178-".

⁷² Replace "it".

⁷³ Deleted.

[about 9,000,000].⁴⁴ The exchange fell [in 1795] ⁴⁵ from 36 at which it was in Feb^r. to 32/10 in July. In [the end of] ⁴⁶ 1796 the exchange rose again to 34/7, the price of silver being at 5/4 [& 5/6 and gold £3. 17. 6]; ⁴⁷ the exchange was uniformly above par.

The average amount of notes in Jan^r. 1795 was 11 millions, in Feb^r. about 10 millions, in March 11,700, in April 11,100, in May 10,200, June 9,800, July 10,250, Aug. 10600, Sep. 10,500, Oct. 10400, Nov. 10750, Dec. 11,900, Jan. 96, 10,006, Feb. 10,350, Mar. 9,300, Apr. 10,500, May 10,100, June 9,400, July 9,400 and continued about 9 million till Feb. 1797,—in which year the exchange rose to 38/2. It must be observed that the price of [standard] ⁴⁸ silver fell this year to 5/0½ so that the real par was perhaps not less than 36 or 37.

It appears then that it was between Ap^r. 1796 & Feb^r. 1797 that the amount of notes was reduced from 10,500 to 8,640, and that the exchange rose from 32/7 the price in Jan. 1796 to 36/8 in April & 38/ in Sep^r., the earliest period perhaps at which the effects of the reduction of the amount of the circulation would be felt by the exchange.⁴⁹

⁴⁴ Replaces "Replaces "8,500,000".

⁴⁵ Inserted, replacing "they were so occasionally".

⁴⁶ Inserted.

⁴⁷ Inserted.

⁴⁸ Rough computations at bottom of sheet.

XIII.

**NOTES ON GERMAIN GARNIER'S 'MONETARY
SYSTEM OF ANCIENT ROME' (1817)**

EDITORIAL NOTE

Germain Garnier (1754-1821), peer of post-napoleonic France and member of the Institute, is one of the most interesting—and most neglected—of French post-physiocratic economists. His major service as translator and editor of the "Wealth of Nations" has diverted attention from his work as doctrinal commentator and economic historian. Of his qualification on the first score Ricardo entertained no high opinion. The two men seem never to have met. But when in December 1822, in the last stage of the 'Continental Tour', Ricardo visited Paris, the volume of additional notes to the new (1822) edition of his translation of the "Wealth of Nations" which Garnier had completed before his death a year before, had just come from the press. "I had an opportunity of looking it over", Ricardo wrote to Malthus ("Letters to Malthus", p. 212), "and naturally turned to those places where he criticized me." The strictures appeared to Ricardo "quite irrelevant. Neither he nor M. Say have (*sic*) succeeded in at all understanding what my opinions are". It was a propos of Garnier's criticisms that Ricardo expressed himself sweepingly: "In France very little is understood about Political Economy, altho' they have some good writers on that subject" ("Letters to Trower", p. 196).

But although Ricardo may have deemed it unnecessary to notice Garnier's doctrinal attacks, as he had done fruitlessly Say's, such was not the case with a more specific matter probably brought to his attention some years before. Following a well defined eighteenth century habit Garnier had early developed a pronounced antiquarian interest in the economic institutions of the ancient world as disclosed in classical texts. The monetary systems of Greece and Rome were his prime concern; and the heterodox contention that the Papyrian Law was not, in the guise of revalorization, an act of partial repudiation but a *de facto* recognition of altered metallic value—his characteristic contribution. Garnier's argument was foreshadowed in his notes to the 1802 translation of the "Wealth of Nations"; it was presented in detail in two 'Mémoires' read in 1817 before the Académie des Inscriptions et Belles-lettres; it was given setting in the "Histoire de la Monnaie" in 1819; and it was reproduced as a *oss jugé* in the notes to the 1822 translation of the "Wealth of Nations".

Of these, the printed 'Mémoires' were read by Ricardo, with resultant (A) critique and (B) excerpts in the 'commonplace book' (*infra*, p. 227), here printed from the originals in the Ricardo MSS. The full description of the 'Mémoires' is: "Mémoire [—Second mémoire] sur la valeur des monnaies de compte chez les peuples de l'antiquité, par M. le C^{te} Germain Garnier . . . —Paris, impr. de M^{me} V^{ve} Agasse, 1817. 4°". A copy of the first 'Mémoire' is in the Library of Congress (in a volume lettered "Miscellanea numismatica et archaeologica," 4-20588); a photostat reproduction of both 'Mémoires' (from originals in the Bibliothèque Nationale) is in the Hutzler Collection of the Johns Hopkins University.

[NOTES ON GERMAIN GARNIER'S 'MONETARY SYSTEM OF ANCIENT ROME', 1817]

A.

We learn from Pliny that it was not till the year 485 from the foundation of Rome, [that]¹ under the consulate of Fabius [that]¹ and 5 years [after]² the first Punic War, that [the]¹ silver formed a part of the Roman Money: During that war, the Republic not being able to provide for its expenses, the weight of its money pound was diminished, and the As was reduced to one sixth of its original weight. The libra or pound [or As]² instead of weighing 12 ounces was reduced to 2 ounces. Pliny observes that by this arrangement the Republic gained 5 parts [out]² of 6, and [that]² at that rate she discharged her debts.

Mr. Garnier attempts to refute this conclusion. He says that at the same time [the value of]¹ silver money was [introduced and]² regulated, and it was ordained that the silver denarius should be of the same value as 10 libras, or pounds or Asses of copper money, viz. 20 ounces, and the divisions of the denarius were fixed in [the same]² proportion. It is difficult to suppose that the value of money could be altered to one sixth of its original worth without causing the greatest disorder in all money payments & therefore Mr. Garnier is of opinion that Copper money had in consequence of the demand of other countries very much risen in value [and that the alteration was made not to destroy but to restore its former value].² That till then the Romans had made use of copper money only which had been so increased in quantity that it had fallen to a very low value but that as soon as it became an article of exportation & was in great demand it rose so much in value as to make an alteration in the weight of their copper money a measure necessary to preserve the current value of coins of the same denomination. That a libra for example when reduced to 2 ounces in weight was

¹ Deleted.

² Inserted.

still of the same value [when] ^a compared with commodities, as it was when it weighed 20 ounces, or if it differed from that value instead of $\frac{5}{6}$ it did not probably differ more than $\frac{1}{4}$ or $\frac{1}{5}$. That in all other nations the value of one ounce of silver was equal to that of 128 ounces of copper, and that in Rome even after the coining of silver money 160 ounces of copper passed for no more in currency than 1 ounce of silver. For in 490 Rome adopted for its denier the didrachme of [the] ^d Greece of the weight of [3] ^e scruples or 63 French grains of the Poids de Marc, the Roman ounce being 504 of such grains, a denier of silver of 63 grains [or $\frac{1}{8}$ of an ounce] ^f being of the same value in currency as 10 as of copper [of 2 oz. each], ^g or [20] ^h ounces = [1008]; ⁱ consequently 1 oz. of silver was worth 160 oz. of copper. But surely the introduction of silver into the money of Rome could not alter the relative value of the two metals, nor could it elevate or lower the value of copper. If commerce existed between Rome & other countries the value of copper would have been elevated to its proper level altho no silver had been imported into Rome. Mr. Garniers [argument that] ^k copper from its great multiplication was 4 or 5 times more cheap at Rome than in other countries is entirely an assumption of which not the least shadow of proof is offered, and if after the introduction of silver it was true that "Partout ou le commerce peut penetrer, son effet necessaire est de retablir le niveau entre les marchandises sur les quelles il opere; il enleve ce qui est surabondant; il apporte ce qui manque; les quantités et les prix reprennent aussitot l'equilibre", why was not the same principle true before silver was introduced into Rome? why was it ever at so low a value as to be able to bear so great a rise when silver formed part of the currency? On what grounds is it that Mr. Garnier says that "Cette accumulation n'avait cesse de s'accroitre pendant une

^a Replaces "as".

^d Deleted.

^e Replaces "63".

^f Inserted.

^g Replaces "16".

^h Replaces "assumption of".

longue suite d'années, sans que le commerce étranger ait pu la diminuer d'une manière sensible?"

In 536—the denier of silver which continued of the same weight was made equal to 8 instead of 10 as, & consequently to 16 instead of 20 ounces of copper. By these means [any given weight of] ⁹ silver coin [became no more valuable than] ¹⁰ 128 times its weight of copper coin. If deniers [or any] ¹¹ were the money of account this alteration was not of much importance; but ¹² if as were [employed] ¹³ for that purpose then by the use of silver a debt of 100 as would [be paid with 12½ deniers instead of] ¹⁴ require 12½ deniers instead of 10.

In 562 or 563 the as was reduced one half in weight, namely to 1 oz., and a proportional reduction was made in the weight of all the other monies both of silver & gold. The proportion then between [silver & copper] ¹⁵ was not altered.

Mr. Garnier is certainly correct in supposing it impossible that without altering the denomination of money the [weight] ¹⁶ of the copper coins could be reduced one half without a corresponding alteration in the weight of the coins of the other metals. Under such circumstances the whole of those metals would be banished from circulation if the mint was open to the public for the coinage of copper. No law as he justly observes can reduce a thing to the value of 4 ounces which is intrinsically worth 8 ounces.

The denier then contained $\frac{1}{16}$ of an ounce or 31½ grains of silver, & was of the same weight as the attic drachmæ of silver.

[2½ deniers was equal to 1 argenteus—also a silver coin
2½ d^o. was equal to 1 sesterce of copper] ¹⁷

⁹ Inserted.

¹⁰ Replaces "was equally valuable with".

¹¹ Deleted.

¹² Remainder of paragraph inserted.

¹³ Replaces "used".

¹⁴ Replaces "them".

¹⁵ Replaces "value".

¹⁶ Deleted.

2½ oz. = 1 sesterce

4 sesterces = 1 denier

2½ deniers = 1 argenteus

1 argenteus weighed 78½ grains of Poids de Marc & which is actually the weight of those pieces which have reached our times.

Mr. Garnier says that it was in sesterces that all accounts were kept, and that when we meet with a piece of money with the numbers 10 or 20 upon it, [it means] ¹⁷ such money represented 10 or 20 sesterces & not as has been unaccountably contended 10 or 20 As. Such pieces of money were the argenteus.

There are pieces also of 5 sesterces, called *parvus argenteus* weighing 39½ grains which have been supposed to be of the value of 5 as; whereas its real value was 20 as.

Under the Emperors the argenteus was of the value of 2 deniers only, [and of the weight of] ¹⁸ 63 grains; consequently its value was 8 sesterces, and 8 were coined from an ounce. This double denier, *bi denarius*, is frequently called *denarius* by Latin authors, and it is that which Antiquaries have distinguished by the name of Imperial denier or Nero's denier.

Gold was coined into [pieces of the value of] ¹⁹ 20 sesterces & weighed 1 scruple or 21 grains [in 547], ²⁰ and [as at that time] ²⁰ 20 sesterces or 5 deniers weighed [315] ²⁰ grains of silver, gold was to silver in the Roman coins as 15 to 1.

It was [in 562, when the weight of (the) ²¹ coins of all the other metals was reduced ¼] ²² that the [weight of the] ²³ aureus was fixed at 2 scruples & a half or 52½ gr. & was of equal value with 25 deniers or 100 sesterces. This price was of the value of 10 argenteus. A debt of 1000 sesterces could be paid with 10 pieces of gold, or 100 pieces of silver. This continued for more than 300 years till the reign of Constan-

¹⁷ Replaces "value".

¹⁸ Inserted.

¹⁹ Inserted.

²⁰ Replaces "1571".

²¹ Replaces "all the other".

²² Replaces "after 562".

tine who changed the money of the Romans & substituted the solidus of 4 scruples of gold or 84 grains [and of the value of 40 deniers]²² for the aureus of 25 deniers & 2½ scruples. Tho the aureus [always]²⁴ passed for 25 deniers, [there was doubled & tripled this coin]²⁵ they coined double & triple aureus passing for 50 & 75 deniers,—and it was this last piece which was the most common gold coin.

Mr. Garnier remarks that M. de la Nauze has been misled by supposing that these [single,]²⁶ double, or treble aureus were all at the time they were issued single aureus & passed for 25 deniers. To support this opinion he is obliged to suppose great variations in the relative value of gold & silver, from 17½ to 1, to 11½ to 1.

[In 490]²⁸ According to Mr. Garnier 1 pound of 12 oz. of the Romans was equal to 504 grains poids de marc, & consequently [1 scruple]²⁷ was equal to 21 such grains. According to Dr. Kelley 4608 grains poids de marc is equal to 3778 English grains consequently 504 grains or 1 Roman pound is equal to 413 English grains, & one scruple to 17½.

				Pence English
In 490				
1 Denier = 3 scruples = 63	poids de marc = 51½			
			English grains	—66.52
In 562				
1 Denier = 1½ scruples = 31½		= 25%		—33.26
In 547				Shillings
1 Aureus of gold = 5 scruple = 105		= 86		14/-
In 562 & ever after				
1 Aureus = 2½	= 52½	= 43		7/-
490 to 562				
2½ as 1 sesterce	1.663 pence	} from 490 to 562	} .831 pence 3.326 pence 3.315 pence	} from 562
4 sesterces 1 denier	6.652 pence			
2½ deniers 1 argenteus	16.630 pence			

²² Inserted.

²³ Replaces "only".

²⁴ Deleted.

²⁵ Deleted.

²⁶ Replaces "1 denier — 3 scruples".

B.

Le blé, qui est la principale subsistance de l'ouvrier, règle naturellement la valeur du travail et des marchandises qui sont le produit de ce travail. Ainsi, c'est par le prix commun du blé que l'on peut connaître la valeur intrinsèque de l'argent. Lorsque, avec une once d'argent, on pouvait se procurer autant de blé qu'on en achète maintenant avec quatre ou cinq de ces onces, cette once d'argent mettait alors à la disposition de celui qui la possédait, autant de travail ou autant de produits du travail, que le fait aujourd'hui un poids d'argent quatre ou cinq fois plus considérable.

Page 43 [42] de

Mémoire sur la valeur des Monnaies de Compte
des Anciens par M. le Comte Germain Garnier

Le travail est la première mesure des valeurs ; c'est le prix commun auquel la nature nous vend tout ce que nous lui demandons. Chaque production a pour valeur intrinsèque la quantité de travail qu'il a fallu dépenser ou pour la rechercher ou pour la faire naître, et pour la transporter au marché général. Le rapport de valeur entre tout ce qui s'achète et se vend est réglé, en dernière analyse, par cette mesure universelle. Quand deux marchandises sont en présence dans le même marché, quand elles se comparent et se mesurent entre elles, la somme de travail qu'il en a coûté pour extraire, les préparer et les transporter, détermine leur valeur relative et les conditions auxquelles elles peuvent être échangées. Ainsi, l'argent et l'or de l'Amérique, parvenus dans les marchés de l'Europe, n'ont pu y représenter autre chose que le somme de travail dépensée pour leur extraction, leur préparation, et leur transport ; et comme deux marchandises absolument pareilles ne peuvent avoir en même temps deux prix différents, les métaux précieux arrivés du Nouveau-Monde rabaisèrent à leur niveau tous ceux qui existaient déjà dans l'ancien, quoique ceux-ci fussent le produit d'une quantité de travail et de dépense infiniment supérieure.

Page 43 Ibid.

Le blé, que de toutes le marchandises d'une consommation générale est celle qui doit le moins au travail de l'homme, et dans la proportion de laquelle la nature concourt par un travail mystérieux, qu'elle n'opère jamais communément en moins de dix mois, est, par cette raison, une des choses dont la valeur intrinsèque éprouve le moins de variations, abstraction faite des fluctuations accidentelles causées par une saison plus ou moins favorable.

Ainsi, pour se former une idée exacte de la richesse des Romains et de la valeur intrinsèque de l'argent dont ils disposaient à l'époque dont nous nous occupons, il faut rechercher quel était chez eux le prix moyen du blé en argent.

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M. Garnier calculates that the discovery of the American mines has lowered the value of silver in Europe in the [inverse] ¹ proportion of 1 to 5 or 6.

According to him the value of a setier of wheat Paris weight & measure was at Rome about 4 francs 20 centimes. In the time of Charlemagne the price was nearly the same he says 4 francs 27 cent. and he quotes Herbert's "Essai sur la police des grains" printed at Berlin in 1755 to prove that for 76 years (from 1444 to 1520) the average price was 4 francs 25 cents. After 1520 it rose rapidly and in a short time was raised to 5 or 6 [4 or 5] ¹ times its former price, and at that price it continues at this time. In ancient times the comparison between equal weights of silver & of wheat was as 1 to 6000—but since the discovery of America the proportions have been as 1 to 1000.

In the time of Ancient Rome [the value of] ¹ silver was to that of copper as 1 to 128 and continued so for 5 centuries. Under Constantine the proportion was as 1 to 120, and under the Emperors Arcadius and Honorius it altered to 96.

At the beginning of the 16th. century gold was to silver as 12 to 1, but after the discovery of America the proportion of 15 to 1 was restored the value at which gold was during the Roman Empire and even under the first race of Kings in France. Silver rose in comparative value under the second

¹ Inserted.

race of French Kings and in the reign of Lewis 12 was one-twelfth of the value of an equal weight of gold—a marc of gold being coined into 132 livres & a marc of silver into 11.

M^r. Garnier justly observes that all theories respecting the value of money in Ancient times built on the supposition of the constant & enormous variation in the relative value of the different metals from which money is made must be false, and yet the most able writers have fallen into such mistakes. Montesquieu has maintained that the proportion between the value of silver & copper was as 960 to 1 at the first establishment of silver money at Rome after the peace with Pyrrhus, and that in less than 50 years the proportions were only as 128 to 1. He continues, Plusieurs savans étrangers, et chez nous MM. Dupré de Saint-Maur, Dupuy, de la Nauze, de la Barre, le Beau, Pauton, Romé de l'Isle, etc., ont tous réglé cette proportion comme il leur a convenu de le faire; ils lui ont prêté la marche la plus irrégulière, tantôt progressive, tantôt rétrograde, suivant que l'exigeait l'opinion qu'ils avaient à soutenir. Ainsi le fil qui devait les guider, ils l'ont saisi pour le diriger eux mêmes et le plier à leurs systemes; tel qu'un astronome qui, pour observer la durée d'un phénomène céleste, s'aviserait d'avancer ou de retarder de sa main l'aiguille de la pendule destinée à régler ses observations.

52

Chez nous (les Français), les hôtels des monnaies achètent à un prix déterminé par des réglemens les matières d'or, d'argent et de cuivre, dont ils fabriquent des monnaies dont le cours est réglé par la loi. Ainsi l'administration opère sur des métaux dont elle est propriétaire.

55

En 1789, le montant de la traite sur l'or était de $2 \frac{9}{10}$ pct., et celle sur l'argent était de 2 pct.

84

D'après cette évaluation de la drachme, le talent était une somme égale à 2100 francs de notre monnaie, c'est-à-dire qu'il formait un poids d'argent de 10 kilogrammes et demi.

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XIV.

RICARDO AND TORRENS ON 'THE MEASURE
OF VALUE' (1818)

EDITORIAL NOTE

In *The Edinburgh Magazine and Literary Miscellany* ('A New Series of the Scots Magazine') for October 1818—Torrens published in letter form "Strictures on Mr. Ricardo's Doctrine respecting Exchangeable Value." To this McCulloch made reply ("Mr. Ricardo's Theory of Exchangeable Value vindicated from the Objections of R.") in the November issue of the same journal. The controversy is referred to in Ricardo's letter to McCulloch of November 24, 1818, and the substance of the two contributions has been given elsewhere in an editorial note ("Letters to McCulloch," pp. 15-16). It now appears that, as if in further vindication, Ricardo jotted down in his 'commonplace book' in parallel columns extracts from Torrens' article and from his own 'Principles,' to the end of establishing that Torrens' contention that Adam Smith was correct in declaring that 'embodied labor' is not a practicable measure of value in the case of commodities produced by capital conjoined with labor—was precisely the reservation made by Ricardo in his own text.

[RICARDO AND TORRENS ON 'THE MEASURE OF VALUE', 1818]

Major Torrens under the signature of R in the Edinburgh Magazine for Oct. 1818 has observed as follows on Mr. Ricardo's doctrine respecting exchangeable value.

D^r. Smith says that "in that rude state of society which precedes both the accumulation of stock, and the appropriation of land, the proportion of labour necessary for acquiring different objects, seems to be the only circumstance, which can afford any rule for exchanging them for one another. If, among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for, or be worth two deer. It is natural that what is usually the produce of two days or two hours labour, should be worth double of what is usually the produce of one day's or one hour's labour."

Smith however limits this principle to the first & rudest period of society, and contends, that as soon as stock

In Mr. Ricardo's book on the Principles of Political Economy in which his doctrine of value is given he says as follows:

In the early stages of society, the exchangeable value of these commodities or the rule which determines how much of one shall be given in exchange for another, depends *solely* on the comparative quantity of labour expended on each.

Page 5

Though Adam Smith fully recognized the principle that the proportion between the quantities of labour necessary for acquiring different objects is the only circumstance which can afford any rule for our exchanging them for one another, yet he limits its application to "that early and rude state of society which precedes both the accumulation of stock *and the appropriation of land*"; as if, when profits & *rent* were to be paid, they would have some influence on the relative value of commodities, inde-

accumulates in the hands of particular persons who set industrious people to work by supplying them with subsistence & materials, the quantity of labour commonly employed in acquiring or producing any commodity is not the only circumstance which can regulate its exchangeable value in the market. *This limitation of the principle is represented as a great & fundamental error by Mr. Ricardo*, who contends that in the most advanced periods of society, as well as in that rude and simple state which precedes the accumulation of stock, and the separation of the community into capitalists and labourers, the labour bestowed upon production is the *only* foundation of exchangeable value.

This is the radical difference between Dr. Smith and Mr. Ricardo.

Mr. Ricardo admits, that when equal capitals are of [different degrees of]¹ durability, the products of equal quantities of labour will not be of equal value; *and this he states as an exception to his*

¹ Replaces "equal."

pendent of the mere quantity of labour that was necessary to their production.

Adam Smith however has no where analyzed the effects of the accumulation of capital; *and the appropriation of land*, on relative value. It is of importance therefore to determine how far the effects which are avowedly produced on the exchangeable value of commodities, by the comparative quantity of labour bestowed on their production, *are modified or altered by the accumulation of capital, and the payment of rent.*

Page 16

Besides the alteration in the relative value of commodities, occasioned by more or less labour being required to produce them, they are also subject to fluctuation from a rise of wages, & consequent fall of profits, if the fixed capital employed be either of unequal value, or of unequal duration.

Page 23

Thus we see, that with every rise of wages, in proportion as [fixed]² the capi-

² Deleted.

general principle, that the labour expended on production determines exchangeable value: But as equal capitals seldom possess precisely equal degrees of durability, this, instead of limiting *what he calls the general principle*, subverts it altogether, and proves, that the relative worth of all things is determined, not by the quantities of labour required to procure them, but by the universally operating law of competition, which equalises the profits of stock, and consequently, renders the results obtained from the employment of equal capitals of equal value in exchange.

No proposition, physical or moral, can admit of a more rigid demonstration than the principles laid down by Dr. Smith, that, after stock has accumulated in the hands of particular persons who set industrious people to work by advancing them wages and material the quantity of labour employed in production is not the circumstance which determines the exchangeable value of commodities.

tal employed in any occupation, consists of circulating capital, its produce will be of greater relative value than the goods produced in another occupation where a less proportion of circulating, and a greater proportion of fixed capital are employed.

Page 33

It appears, then, that in proportion to the quantity & durability of the fixed capital employed in any kind of production, the relative prices of those commodities on which such capital is employed, will vary inversely as wages; they will fall as wages rise.

Page 41

It appears then that the accumulation of capital by occasioning different proportions of fixed and circulating capital to be employed in different trades, and by giving different degrees of durability to such fixed capital, introduces a considerable modification to the rule, which is of universal application in the early states of society.

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XV.

NOTES ON DR. COPLESTON'S "SECOND LETTER
TO PEEL" (1819)

EDITORIAL NOTE

Copleston's place in English political economy has been summarized by Dr. James Bonar (Palgrave, "Dictionary", *sub nom.*) In "A Letter to the Right Hon. Robert Peel, M. P. for the University of Oxford, on the Pernicious Effects of a Variable Standard of Value, especially as it regards the Condition of the Lower Orders and the Poor Laws. By One of his Constituents" (1819)—Copleston had presented himself as a staunch bullionist and a hearty adherent to Ricardo's currency doctrines. His estimate of the "Reply to Bosanquet" ('highly illustrative of the abilities of the writer who stepped forward to vindicate the truth') was adopted by McCulloch thirty years later ("Works", xx). In the same year (1819) Copleston published "A Second Letter to the Right Hon. Robert Peel, M. P. for the University of Oxford, on the Causes of the Increase of Pauperism, and on the Poor Laws. By One of his Constituents". It is to this second tract (111 pp.) that the subjoined "Notes" of Ricardo relate. However favorable an opinion Ricardo may have entertained of the first and second 'Letter to Peel' there was a different disposition towards Copleston's later performance. When writing in the *Quarterly Review* (April 1822) on the 'State of the Currency', Copleston charged Ricardo 'with maintaining the absurd doctrine that the price of gold bullion is a sure test of the value of gold bullion and currency', Ricardo wrote to Malthus complaining, "I only regret that my adversaries do not do me justice, and that they put sentiments in my mouth which I never uttered" ("Letters to Malthus", p. 212). Unlike most of his book jottings, Ricardo's "Notes" on Copleston are largely extracts from or summaries of the text, with few critical comments. The numerals are for enumeration, not for page reference.

[NOTES ON DR. COPLESTON'S "SECOND LETTER TO PEEL", 1819]

A Second Letter &c^t. to The Right. Honb^{le}. Rob. Peel

1. The object of former letter was to establish the following points that a rapid depreciation of money naturally introduces disorder & embarrassment into all the departments of life—that the pressure arising from this circumstance bears heaviest upon the lower classes, and it was this evil which led to the institution of the Poor Laws, and now leads to their extension.
2. The use of paper must lower the value of the precious metals since it will diminish the demand for them while improved machinery will augment the supply.
3. The unlimited use of paper defended by Vansittart on grounds subversive of all that had heretofore been deemed most authentic in Pol. Econ.
4. He must have done it from conviction.
5. It is humiliating to think that his ignorance of true principles led to his elevation to the office of Ch. of Exchequer.
6. The evils of a depreciated currency now felt, but those who deny the right principles, of money cannot be trusted with their removal.
7. Cash Payments cannot be instantly resumed.
8. The rise in the value of money will be followed by falling prices, trade will be cramped,—the revenue abridged and *more than all agriculture checked*, and the demand for country labour diminished. If the profits of the farmer fall the demand for labour will of course diminish and pauperism will increase.
9. Worse & worse land will be thrown out of cultivation, and thus the demand for labour will be lessened in a great ratio than the amount of produce. Pauperism will increase accordingly.
10. To restore the value of currency must be attended with

these effects whenever it takes place, and therefore no argument for delay.

11. In this view the Corn bill a good measure, as it keeps off foreign competition at a time when agriculture will be depressed & labour thrown out of employment. The paper currency favourable to commercial men, & therefore Corn Bill a set-off in favour of Agriculture. All interests ought to descend equably.
12. Ministers not impressed with the nature of the evil—they listen with too much complacency to those who have an interest in misleading them.
14. As the Bank of England contract their circulation, the country Banks increase theirs.
15. It would be impolitic to repeal the laws against Usury while our paper is depreciated[.]¹
16. It would be equally impolitic to adopt any definitive regulations on the subject of the Poor.
17. Merits of "Commons Report", of Bicheno Inquiry into the Nature of Benevolence—of Mr. Davison's & Mr. Courtenay's treatises on the Poor Laws—and above all of Sir F. Eden's State of the Poor, & Malthus' Essay.
18. His [view]² coincides with much of what these writers have advanced, yet differs in some respects from all.
19. His inquiry will be directed as follows.
 1. What Government *can do* towards the relief of the poor.
 2. What our Government *has done*.
 3. What, under existing circumstances, *ought to be done*.
20. The first question has not received so much additional light, as supposed in this age of improved knowledge.
21. The confusion of moral duty with the task of legislation a fundamental mistake.

¹ Replaces "because we".

² Replaces "views".

It destroys the very essence [of] ^a not only of benevolence, but of all virtue to make it compulsory.

22. Men would be humane & charitable by proxy. To throw off the care of want & disease, & misery upon the magistrate, is to convert humanity into police, and religion into a statute-book.
23. Laws have little direct influence towards effecting either the improvement or the happiness of man. They prohibit him from injury, and they protect him from it. Active virtue, generosity, benevolence, forgiveness, hospitality, piety, all that constitutes the charm, the beauty, the dignity of life—all that can develop the best part of man's nature, or that can hope to be acceptable in the sight of his Maker, must be derived from another source.
24. Mr. Malthus great merit consists in having proved that this is not only theoretically true, but is deducible from the actual constitution of things.
25. He as well as Mr. Sumner have reconciled [these truths with] ^a the existence of evil, or rather the ignorance of struggling against the constitution of things, with our duty and the goodness of God.
26. That Charity & Law are of heterogeneous origin is proved by an appeal to those who have the management of Charitable Institutions. In proportion as they assume a settled, a permanent & an organized character, in the same degree precisely does the administration of them become more a matter of police than humanity.
27. Folly & injustice in attaching obloquy to the name of Overseer. A querulous sensibility fostered by somber descriptions in verse & Prose of Workhouses and Village Poor, which tends only to breed discontent & to propagate erroneous notions of the duty of Government & the defects of Civil Institutions.

^a Deleted.

28. Limitations with which the principle of separating humanity from Law must be taken, the subject of this part of the Inquiry.
29. Mr. Malthus objection to Poor Laws is that by holding out a promise of food & employment to all that may be born, we profess what it is impossible in the nature of things to perform—and that as far as this promise operates, it obstructs the natural check which would otherwise preserve the balance of population—that we do therefore force population artificially, and crowd life with greater numbers than can be adequately provided for.
30. We are bound to enquire whether we do hold out a promise of *food & employment* for all that are born—and secondly whether some relief for the poor may not be permanently provided by law which shall not amount to an encouragem^t. to population.
31. The author's opinion is that it may be possible to provide by law for preserving life, without encouraging the propagation of it. This he considers as a cheering inference.
32. It is the only answer to [which] * the argument from the principle of population is open.
33. Paupers may be so sparingly supplied as to free us from the danger of their increasing the population. In proportion to the moral improvement of society the rate of allowance to paupers might be safely raised.
34. The allowance to paupers should be relative to the state of society, always keeping below rather than above the mark.
34. The practice universal among the reasoners who build on the Principle of Population to assume that the support extended is to be such as will necessarily encourage propagation.

* Inserted.

35. Our practice more liable to this imputation than that of our ancestors.
36. Relief to the poor in a limited degree justifiable & necessary on the same principle as the [natural] * law of self preservation.
37. Relief to indigence arising either from infancy, age, infirmity, great number of children & even accidental failure of employment strongly recommended, but it must not be full and adequate to our feelings.
38. The theory of our ancestors was to regulate wages but it did not regulate their practice—our theory & practice are quite opposite to these, we reason justly & act badly.
39. The evil is now however seen and admitted. A simplification of the law of settlement, and a freer scope to the circulation of labour recommended.
40. The situation of the labourer would be improved by a restoration of the value of our currency. His wages would not fall in the same proportion and with the same rapidity as the rise in the value of money.
41. Of those who are able & willing to labour, but who have no work.
42. The framers of the Act 43^d. Eliz. assumed that labour properly directed must always be adequate to support the labourer.
43. We now know that if labour were profitable it would be hired by private employers. "But they have already too many labourers on their hands. If then he is employed in producing more of those commodities, of which there is already too much, he aggravates the embarrassment. Or again should his work when employed by the parish be *more* profitable than that of the hired labourer, a supposition utterly improbable, he throws that labourer out of employment—if it is *less* profitable, his efforts are still hurtful to the other

precisely in the same degree in which they tend to support himself."

44. "If employed by the Parish it ought to be on some work in which private capital is not embarked, nor likely to be embarked."
45. To raise corn would be of no use for probably there may be too much corn already. "The whole subject has been ably discussed by Mr. Davison and few readers will I imagine, refuse to subscribe to his conclusion, 'that no real supply of productive employment can be furnished by legal arrangements, when the trade of the country itself fails to furnish it.'"
46. Parish work is only a palliative of distress, till either trade shall revive, or population lessen.
47. The distress which occasioned the Poor Laws arose out of temporary causes—depreciation of money the principal cause.
48. The old notion that monasteries were the main support of the poor is I believe exploded. The poor never had a legal right [to maintenance] from tithes. A proportionate allotment to that purpose was formerly matter of ecclesiastical regulation, but never in this, nor I believe in any other country, sanctioned by municipal law.
49. In Edw^d. 3 reign laws were passed against mendicity, a reign in which the depreciation of the coin was carried to a great extent.
50. Cruel laws against vagrants.
51. The causes assigned for the poverty of the people insufficient in Hen. 8 & Eliz. reign. Not ascribable to the poor laws themselves.
52. Depreciation in the value of money a probable cause. A difference between debasement of money from fraud, & depreciation insisted upon. Depreciation is accompanied or caused by an increase of quantity. Debasement takes place without any such increase.

53. Constant & progressive depreciation makes the condition of the labourer also constantly [& progressively] * miserable. He has no time to recover his situation but is constantly anew precipitated from the height which he may have gained.
54. Lord Bacon describes in glowing language the increase of wealth in the country at a time when the people were poor & miserable.
55. Extracts from Strype to prove the sad condition of the poor.
56. Comparative value of the coins at different periods.
57. The coins reformed by Edw^d. 6 & Elizabeth.
58. In 1500—sheep at 20^d. equal to 4½ days labour at the lowest rate. In 1600 equal to 12 days labour. In the first period a q^r. of wheat at 5/3 was equal only to 13 days labour at the lowest rate, in the second taking the average price as I find it from Sir F. Eden's table to have been, at £1.12.10 it was equal to 39½ days labour at the highest rate.
59. In Elizth. Reign the poor law did not contribute toward the increase of poverty. [On] * a comparison of the first 20 years of the 18 century and the last [termination] * twenty years before the termination of the war would exhibit nearly the same melancholy reverse of fortune to the labourer as we found comparing the reign of Hen. 7 with that of Elizth. The price of provisions advanced about fourfold, while that of labour was not even doubled. Generally speaking the first might be said to have become as 7 to 2 the second hardly as 3 to 2.
60. Taking wheat as a standard & making allowance for increase of population the increase in the rates from 1750 to 1776 is 41 pc^t.
61. From 1776 to 1785 no increase.
62. From 1785 to 1803—67 pc^t.

* Deleted.

* Deleted.

63. From 1803 to 1815 rather a decrease.
64. In 1804 the poor rate was 2/10 in the pound on the whole rental—in 1815 3/14.
65. Poor rate is not an index of the operation of the laws in promoting pauperism. If due allowance be made for *increased population, loss of employment from the fluctuations of commerce or the vicissitudes of peace [or] war*, and still more the inadequacy of wages to the advanced price of provisions, it will be found that the *ratio* of pauperism has been continually decreasing. The spirit of independence has been acting with increased energy.
66. The character of the people though borne down by the accumulated pressure of many difficulties, is yet unbroken and unimpaired.
67. The alarming pressure of the poor rate arises,—not from the principle of the law itself, but from temporary causes. All plans for a gradual abolition of the laws, besides the objections, insurmountable as they seem to me, which have been urged against them by Mr. Courtenay, must under this view of the subject be regarded as needless.
68. Limitations to assessment more objectionable. No assessment should be allowed but on the score of necessity. If necessary why fix a limit on any other plea but inability to exceed it.
69. Relief should be limited to the bare preservatives of life. If the [fund be] * limited it may lead to the extension of life.
70. A [proportion] * of the charge to be paid out of the county rate when it exceeds a certain poundage on the rental of the parish.
71. If relief be not granted by law, law ought not to punish vagrancy & mendicity.

* Replaces "and". * Inserted. * Replaces "proportional".

72. [A single justice]¹⁰ not to be invested with discretionary power. Justices exercise indulgence without personal sacrifice.
73. Wise to commit the discretionary power to 2 justices. To give them also the power of levying a fine when relief is improperly held.
74. Select vestries—proper measure.
75. A right to a full supply of wheaten bread must be denied. It is the stoutest not the kindest heart that is wanted.
76. Birth first title to [relief]¹¹ settlement; residence for a term of years 2^d.

¹⁰ Replaces "Single justices".

¹¹ Deleted.

XVI.

REPLY OF WILLIAM BLAKE TO RICARDO'S
NOTES ON (BLAKE'S) "EXPENDITURE
OF GOVERNMENT" (1823)

EDITORIAL NOTE

In 1811 Ricardo had included William Blake among "some able writers" who had "lately taken, I think, a mistaken view of the exportation of money, and of the effects produced on the price of bullion by an increase of currency through paper circulation" ("Reply to Bosanquet", p. 72). The allusion was to Blake's "Observations on the Principles which regulate the Course of Exchange; and on the Present Depreciated State of the Currency" (London, 1810)—in McCulloch's opinion ("Literature of Political Economy", p. 174), "one of the very best pamphlets to which the Bullion controversy gave birth". Thereafter the two men continued in contact. In March, 1815, they discussed Torrens's "External Corn Trade" at the Geological Club ("Letters to Malthus", p. 75); a twelvemonth later Ricardo and Malthus were Blake's dinner guests (*ibid.*, p. 115); in the spring and summer of 1823 Blake figured actively in the animated controversy as to the measure of value in the Political Economy Club and elsewhere which formed the final episode of Ricardo's scientific life (Hollander, "David Ricardo", 1910, pp. 112-113). Before this, however, Blake had written his second tract, "Observations on the Effects produced by the Expenditure of Government during the Restriction of Cash Payments" (121 pp., London, 1823)—and had invited Ricardo's criticism of the MS. "He shewed it to me before he printed it", Ricardo wrote to McCulloch ("Letters to McCulloch", p. 145) "and I used the privilege of a friend in freely giving him my sentiments upon it. He was kind enough to give to my remarks the most attentive consideration, but he at last came to the conclusion that he had taken a correct view of the subject". The text of Ricardo's criticisms have not come down to us; but the content is indicated in his correspondence with McCulloch (pp. 145-151) and with Trower (p. 206). It now appears that, the tract once published, Blake made reply to Ricardo's strictures *seriatim*. The following notes, printed from the original memoranda in the Ricardo MSS., are Blake's rejoinder. A fortunate circumstance has made possible the identification of the memoranda. In the library of the Editor is an interleaved, much annotated copy of Blake's 1810 tract—undoubtedly Blake's own working text. The identity of handwriting provided the clue to the authorship of the memoranda.

[NOTES ON BLAKE'S "EXPENDITURE OF GOVERNMENT", 1823]

- p. 7. The author merely says that no alteration would take place in the price of Gold *so long as* the merchant could convert paper into Gold at the Bank. If the critic is *determined* to ask *how long* the author answers it would depend upon the amount of foreign expenditure; if that was very large the Bank would *soon* be drained.
- p. 8. If there were only two countries trading together their exports & imports would balance upon the whole & the tendency of the Exchange would be to a par—but temporary deviations would occur & during those deviations Exchange operations w^d. take place.
- p. 9. The exportation of commodities would prevent the use of Bullion if a *sufficient* quantity could be got out at a small variation in the Exchange; but when the Expenditure is very large foreigners will not take our goods unless we can sell them cheap and we cannot sell them cheap enough to make the foreigner buy large quantities except the Exchange becomes adverse to a sufficient degree.
- p. 9. When the Exchange becomes adverse so as to exceed the expenses of the transit of Bullion considerably the author maintains that the value of Bullion would rise although the currency remained at an invariable value.
- p. 10. This artificial increase of value might exist for years if the expenditure created an adverse Exchange for years; the author purposely avoids at present the discussion respecting the price of commodities generally. All that he contends for is that with an adverse exchange exceeding the expenses of the transit of Bullion—the price of Bullion [must]² rise *although* currency

² Replaces "would".

remained unaltered & the prices of commodities generally remained the same. The demonstration is given first independently of all application to existing circumstances; then application is made afterwards.

Marginal note, p. 10.

The question is not taken for granted; the inference is drawn from the preceding demonstration. If there was no other cause for the rise of goods the probability would be in favor of the critic's opinion that the paper altered; but why will not the critic be content to examine the demonstration whether Gold would or would not rise even though the paper did not alter?

If the critic doubts whether the Gold increased in value let him remain sceptical till the author removes those doubts; let him attend first to the demonstration [and afterwards] * that the price of Gold *might* alter and afterwards to the facts which prove that it *did* alter.

Marginal note, p. 11.

The critic and his friends may not mean what is here stated but the public certainly misapply the term depreciation & do not use it in the sense ascribed to it by the critic. The author is writing for the public.

- p. 13. The author argues with the critic that Mr. Ricardo is consistent in his use of the term depreciation, although some passages in the pamphlet on the protection of Agriculture might lead to an opposite inference; but the author very much doubts whether the other witnesses are equally consistent. He believes that they frequently confound the two senses when their attention is not immediately drawn to the distinction.

Marginal note, p. 14.

How can the critic ask such a question? The reason is obvious. If the premium on the foreign Bill was

* Deleted.

greater than the loss from the difference of prices the Gold would go. It might go too at a loss, if the loss was less upon the Gold, than upon the export of goods. The critic seems to forget that there was an expenditure that must be provided for *coûte qui coûte*.

- p. 14. Here the critic answers his own preceding question, & explains the supposed contradiction; but he asks—“Why does the author always speak of Gold as alone calculated to discharge the foreign expenditure?” This is a strange question in a note upon a passage where the author expressly says—“If goods could be exported without loss they would answer the purpose as well as gold; the demand is for foreign payment, not for gold”. The author is perfectly aware that the foreign expenditure must be discharged by goods (except where it is very trifling) but he is also aware that goods have to come in competition with the goods of the foreigner in the foreign market, & that consequently he must sell them cheap in order to make the foreigner buy; but he cannot sell them cheap unless the Exchange is adverse in proportion to the quantity of goods that must be sent, whereas gold is nearly sure of a market. Goods go first. When the premium on the Bill exceeds the expenses of the transit of Bullion—Bullion goes. And as I have said in a note p. 8. a half cent profit would drain the country of all disposable Bullion. After that [drain] * goods must liquidate the balance; but in proportion as that balance is large, must the Exchange be depressed, before the goods can be sold cheap enough abroad. When the Exchange is [thus] † depressed, what gold remains in the country for the purpose of manufacture must be sold at a proportionally high price, for without that high price all would go.

* Inserted.

† Replaces “so”.

p. 15. Marginal note.

I do not believe that gold would have remained at so high a price as it reached during the war, unless impediments had been thrown in the way of foreign commerce. It was during the Milan decrees & American embargo that gold *continued* at a very high price; from [1800 to 1802 &]^{*} to 1808 it was scarcely more than 4. pr. oz. It is not denied either that the price of such goods as suited the foreign market might rise; but this would be a rise from demand not from an alteration in the value of currency. Neither would it affect *all* commodities. It could not in this country for instance affect the value of our Corn.

p. 17. This is the sole admission too that I require. I think it ought to conform to Gold; but I am examining whether Gold rises, not whether the currency ought not to rise also.

p. 18. The public certainly charged the Bank Directors with taking advantage of their privileges to enrich themselves & proprietors at the expense of other classes. They were charged too with the murder of all the poor wretches hanged for forgery, etc., etc.

p. 20. It is more than a possible case; it is a demonstrable case. Gold *must* advance under an adverse exchange, with a currency not convertible *although invariable in value*. It would happen too although Gold remained perfectly steady all over the world.

p. 21. What does the critic mean? If the connexion is invariable how can the inference be denied that an advance exchange must raise the price of gold here?

p. 21. Yes, overissue in the sense in which it is used by *consistent* political Economists but not in the sense in which the public use it—viz. that notes have been issued in such excess as to alter the value of currency

* Replaces "1802".

- in respect to *all* commodities; there is a material difference between "overissue" and "non-contraction."
- p. 29. If the author has fallen into an error here, he has done it upon the authority of one of the most intelligent practical & extensive Exchange merchants with whom he is acquainted & one who in his evidence before the Committee on Resumption of Cash payments was disposed to view the author's opinions with great distrust. [The author] ^e apprehend[s], the critic to mistake the theory of Exchange; [he] ^e speak[s], this with great deference. There is no doubt that the tendency of the Exchange under the supposed circumstances would be to a state of par; but during an intercourse such as the author has supposed deviations would occur that would give rise to exchange operations by which the deviations would be corrected—previously to such correction. The language used by the critic would subject him to the contradiction stated in the note. *If there were only two countries trading together* their exports & imports would balance upon the whole & the tendency of the Exchange would be to a par; but temporary deviations would occur & during those deviations Exchange operations w^d. take place.
- p. 31. The author admits himself to have been asleep when he wrote this passage or that he had forgotten the distinction which his own pamphlet on the Exchange was (as far as he knows) the first to point out; but he cannot understand how the critic should admit of any distinction between real & nominal Exchange since as far as the author is enabled to understand the critic's theory [he] ^f supposes all variations in the exchange to depend upon a previous alteration in the value of currency & this is precisely what the author means by a nominal Exchange. No export [or im-

^e Replaces "I".^f Replaces "the critic".

port]^a of goods can rectify a nominal Exchange. Export or import of currency would be the only remedy. How does the critic shew upon his theory of Exchange that it could ever afford a bounty on the exportation of Goods?

- p. 42. The author does not suppose the same reasoning will apply to *the whole mass* of manufactures *unless a general demand* arises beyond the customary powers of supply. And this question leads to his following discussion—whether such a general demand can occur or not.
- p. 51. Marginal note.
The author does not suppose all capital to be circulating capital but he supposes that Government obtains circulating capital alone and therefore his reasoning is confined to a change in the employment of circulating capital.
- p. 51. The author in order to give every advantage to the opposite arguments supposes that the men thrown out of work by the division of circulating capital find employment from the *same capital* distributed by Government amongst troops & manufactories (*sic*) of war-like stores.
- p. 52. Many persons have supposed this. I have imagined that nothing more was required than to convert capital into revenue in order to account for the high prices of the last 20 years. It was absolutely necessary to shew that such a conversion upon the scale that occurred during the war must have entailed irretrievable ruin unless some counteracting cause corrected the mischief. The author may have mistaken the best mode of conducting his argument but the mode adopted appeared to him to make a deeper impression.

^a Inserted.

- p. 54. Some dormant portions may not find their way to the hands of Government, & may be irretrievably lost by miscalculation, such as machinery that is rendered useless by the invention of [that which]⁹ is more perfect. But suppose a quantity of cotton or woollen goods without a market. Such goods may be bought by the working classes receiving more wages from full employment in consequence of the capital which government distributes. It would be effected through the circulation of money which alone passes through the hands of Government. But substantially it would be as if government granted unanimity for the woollens & cottons and then distributed those woollens & cottons as wages for which it would receive as an equivalent the warlike stores fabricated by the workmen.
- p. 55. No one denies it, whose attention is strictly drawn to the subject; but an author is obliged in the conduct of his argument frequently to introduce propositions which no one denies. No one denies the propositions of Euclid. Are they not therefor to be published? I am disposed to think however that the same capital may be made to produce more work or if I may use the expression—may be put to harder work under the influence of great demand by [quicker]¹⁰ rapidity of return. But I did not venture to hazard the opinion without more maturely weighing it & chiefly out of deference to the authority of the Critic himself. If this opinion should be well founded—then the extravagance of government might be supplied to a certain extent at least without having recourse to the supposition [that]¹¹ of simultaneous saving.
- p. 56. I do not see the bearing of the Critic's remark in this case. The author is speaking of demand & the Critic seems to be speaking of Profits.

⁹ Replaces "such as".

¹⁰ Replaces "more".

¹¹ Deleted.

- p. 56. It proves that the person whose capital has been raising him a revenue [was supplied with]¹² a revenue that he did not want for the purpose of consumption. If that revenue is made to produce again, there will be two portions of revenue, the 2^d. year, not wanted for consumption. It appears to me that there must be some limit to the degree in which this process can go forward.
- p. 57. His shares remains undisposed of in the consumption of that year. Whether it will be disposed of in the following year as a fund for reproduction depends upon the opportunity of finding what M. Say calls an emplacement.
There can be no doubt that there will be no progressive improvement without accumulation.
58. But it is a question of degree & whether capital may not increase faster than the employment for it. I am not aware that I can state my opinion more clearly than in the text. It seems that the Author & the Critic differ here materially & the Author is sorry to find such a difference with a person to whose opinion he looks up with so much respect. There seems to be no alternative but to agree to differ.
- p. 58. Conceive the immense revenue that is at present spent for the luxury of having Physicians, Lawyers, Clergymen, Musicians, Players Buffoons, etc., etc. Suppose those tastes to be annihilated what would become of the revenue or how would it be disposed of? Have those tastes grown up suddenly? Have they not been the growth of centuries? May not the means of indulgence in them increase faster than the desire of indulgence? Does not saving imply a want of desire to indulge? There was a time when these tastes did not exist. Would production have gone on without them? I cannot conceive production for the sake of

¹² Replaces "has raised".

production—without an ultimate desire to gratification by consumption.

- p. 60. The author has supposed a case of a country divided into two sets of capitalists, one producing food & the other clothing—but where the division of labour was complete. If these persons produce more food & clothing on the whole than is wanted, there will be general glut. It is not a case of two or ten commodities—but of all commodities—the author having supposed no other production than cloth & corn.
- p. 61. This case therefore if founded does impugn the general principle. It shews that there may be more of every thing than is wanted—unless new tastes are introduced.
- p. 62. The sale of annuities gives Government money. With that money a demand is made for commodities. The cost of those commodities is chiefly made up of wages. The money therefore distributed in wages enables the workmen to buy the cloth & corn which were in excess. Without the demand of government those extra wages would not have been distributed.
- p. 63. It exists in the shape of goods unemployed for want of demand. As soon as the extra employment is given to workmen their wages purchase the goods.
- p. 63. There can be no doubt that the *market* rate of interest must be a tolerably correct index of the rate of profits.
- p. 65. The critic will see that [the text]¹⁸ is a repetition of what was expressed before nearly in his own words—at p. 58.
- p. 70. & p. 56. do not disagree. In the latter case the capitalist & the workmen both consume their respective portions; in the former it is supposed that the capitalist does not consume his portion & therefore there would be no motive for distributing the capital amongst the workmen.

¹⁸ Replaces "this".

- p. 70. The demand of government leads to an increased production, but the workmen having more wages consume the excess that was previously existing & the government consumes the stores that are produced. There are (*sic*)
- p. 70. There are two extra consumptions & only one extra production.
- p. 71. There may be some inaccuracy in the Author's expression here but he did not mean in this passage that the increased work was produced from the same capital. The latter part of the [paragraph]¹⁴ evidently shews that more wages were given to the workmen which implies that more capital was employed.
- p. 72. Wages & profits together cannot (perhaps) be higher unless there is a large class of consumers who do not produce; but with such a class a new distribution may take place affording higher wages & profits at the expense of that class.
- p. 74. Great part of the Clergy receive nominal sums for their livings & curacies. By the expenses of government was here meant the consolidated fund & the nominal sum paid to the Stockholders.
- p. 75. When men are paid more because they do more, they receive increased wages but certainly not a higher rate of wages. It is not necessary for [the author's]¹⁵ argument to suppose that workmen received higher wages. If they received more wages their effectual demand would be proportionally increased. [The author]¹⁶ cannot help thinking that workmen must have received higher wages during the war than previously to the war; but it is an incidental remark that might have been omitted without prejudicing his argument.
- p. 76. Much more was spent by Government but not in the

¹⁴ Replaces "sentence". ¹⁵ Replaces "my". ¹⁶ Replaces "I".

form of loans. The sum is taken from Dr. Hamilton & includes all sums funded either in loans or Exchequer Bills. The sum derived from war taxes was only a transfer of Income & has therefore been omitted by the author.

- p. 79. The only few words of comfort that the author receives for all his labour.
- p. 93. [I suppose]¹⁷ Allusion is here made perhaps to the remark at p. 69, where the author does not mean to *ridicule* the idea of greater consumption but to *inforce* it. He does not think the mere waste of war adds much to consumption. But a population fully employed & receiving [more]¹⁸ wages (not higher wages) he conceives to be tantamount to an extra population for the time being.
- p. 94. The author certainly did not apply the term drowning Theorist to the Critic but perhaps the Critic may be included in the class of those who just keep their heads above water by supposing a cycle of abundant harvests since the termination of the War.

¹⁷ Deleted.

¹⁸ Replaces "extra".

XVII.

NOTES ON "PLAN FOR THE ESTABLISHMENT
OF A NATIONAL BANK" [1823]

EDITORIAL NOTE

The general outline of a "national bank" to assume important functions of the Bank of England had taken form in Ricardo's mind certainly as early as 1817 ("Principles of Political Economy", p. 510). The project—destined to become the writer's most important contribution to the economic organization of his country—remained in abeyance in the busy years that followed. We are told, as to the summer of 1823, "It was the intention of Mr. Ricardo, on retiring into the country, after the last Session of Parliament, to employ part of his leisure in committing to paper", the scheme in detail ("Plan", Preface). The work was completed before his fatal illness in September, 1823, and the manuscript, found among his papers, was issued in the following year by John Murray, "in the state precisely in which it was found", as "Plan for the Establishment of a National Bank. By (the late) David Ricardo, Esq. M. P." (32 pp. 1824). The Ricardo MSS. include three items, printed below, directly connected with the printed "Plan": (A) a skeleton sketch of the project; (B) a corrected draft, different only in minor particulars from the final text; (C) a brief supplementary note.

[NOTES ON "PLAN FOR THE ESTABLISHMENT OF A NATIONAL BANK",
(1823)]

A.

Let there be a National Bank established in London and oblige all other Banks, the Bank of England included to call in all their notes in certain proportions at fixed periods during 3 years after which there shall be no paper money in circulation excepting that which is to be issued by Government.

Let the Government paper be a legal tender.

Let the Govern^t. Bank pay the Bank of England the debt due to them of £14,686,000 in Gov^t. notes. Let them further buy with their notes the whole stock of gold bullion of which the Bank is possessed at £3.17.6 p^r oz.—if the Bank is willing to sell it.

Let any other debt due by Gov^t. to the Bank be paid in Gov^t. Bank notes.

Let a calculation be made by a return of the Stamp duties on Promissory notes of the amount of Country Bankers notes in circulation.

Let this amount be added to the amount of Bank of England notes in circulation.

If the aggregate amount of the Gov^t. notes to be issued in payment to the Bank for debt & bullion, be less than the aggregate amount of Bank of England [notes]¹ & Country Bank notes let the Gov^t. issue a further amount of notes either in the purchase of bullion or [in]¹ of funded or unfunded debt as may be thought most expedient by those to whom the management of this important concern be confided.

Let the Government Bank ever after regulate its issue by the price of gold bullion & the foreign exchanges.

The Gov^t. Bank shall be obliged to pay its notes in coin or bullion.

It shall be obliged to give its notes at all times in exchange for gold coin of lawful weight, and shall [also be obliged to]²

¹ Deleted.

² Inserted.

buy whatever gold standard bullion may be offered to them at £3.17.6 per oz.

The Bank of England, as well as every other Bank in this country is only of use as it substitutes a cheap currency for a dear one, a [metallic] * paper currency for a metallic one.

The advantages of a paper money provided security be taken to fix its value on a basis as permanent as the metals themselves have been so often & so satisfactorily stated that it will not be necessary to dwell upon them here;—it will be sufficient [to say] * simply [& briefly] * to advert to them [in as brief a manner].* The establishment of a paper money enables you to dispense with the use of a great quantity of a very valuable metal which as money produces nothing, but which being exchanged for raw material, machinery, food &c. is made a productive capital & adds annually to the revenue of the country. The whole of such revenue is clear gain. [Secondly] * Another advantage attending the use of paper money is the extreme facility with which payments are made by its means;—it is [so] * easily counted, it can be moved from one place to another without trouble or expences, [and] * is not subject to the loss to which metallic money is exposed from wear and friction. Let us only imagine that we had nothing but metallic money in the United Kingdom and [I think we should all agree that] * were all obliged to receive our rents & our dividends [in such money] * and to carry on all our commercial transactions in such money & we shall have some idea of the immense benefits from the use of paper money. These then are the advantages which we derive from the establishment of Banks which issue paper money, but the public are apt to suppose they confer other advantages and that our commerce is greatly benefited by the discounting of merchants bills which is a separate trade & would be equally carried on if the two businesses of issuing paper money & discounting bills were entirely separated.

Let me suppose that Government should take into its own

* Deleted.

* Inserted.

* Replaces "it".

hands [the] * one part of this joint business & should be the sole issuer of paper money in the kingdom, liable to the same obligation of paying their notes on demand in specie. It is known that the permanent Capital of the Bank is nearly 15 millions, which is all lent to Government at an interest of 3 pc. p^r. Ann^m. It is known also that the Bank have made advances to Government on Excheq^r. bills, & on [the half pay of the] * an annuity which is to terminate at the end of 45 years. Let us suppose these advances to amount to 10 millions, and the whole debt of Government to the Bank to be 25 millions. Now then let us further suppose that at the expiration of the Charter Gov^t. pays in notes of its own making these 25 millions to the Bank & at the same time compels the Bank [of Eng^d.] † & all other Banks to call in their paper. It is evident that there would [only] * be a substitution of one kind of paper for another; there would neither be an increase or a diminution of quantity, & consequently there would be no diminution in the quantity devoted to mercantile discounts. On the contrary the Bank might greatly increase the amount of the particular fund which they now devote to such purposes. They would be in [immediate] * possession of [15] * millions of capital after paying all their debts & might employ the whole of this amount in discounting commercial bills. The probability is that no such amount would be lent for that particular purpose, and that the Bank would actually be obliged to invest a large portion of this capital in the public funds of the country. That however which I am desirous of proving is that there would be no want of power in the Bank to afford precisely the same accommodation to trade as they now do and therefore that it is no argument against the Gov^t. issuing the paper money to urge that the trade of the country would be in want of its usual facilities. To make this more manifest let me suppose the following to be a statement of the affairs of the Bank:

* Deleted.

† Inserted.

* Replaces "25".

Loan to Gov.	15,000,000	Bank notes	15,000,000
D ^o .	5,000,000	Deposits	5,000,000
Bills discounted	3,000,000	Balance	} 18,000,000
Bank Treasure	15,000,000	constituting the capital of the Bank	

After the paym^t. from Government of 15 millions & the withdrawing of 15 millions of Bank notes the acc^t. would stand as follows:

Loan to Gov ^t .	5,000,000	Deposits	5,000,000
Bills dis ^o .	3,000,000	Bal ^o .	18,000,000
Treasure	15,000,000		

B.

The Bank of England unites in itself two operations of Banking which are quite distinct & have no necessary connection with each other; it issues a paper currency as a substitute for a metallic one, and it advances [money] ⁹ in the way of loan to merchants and others. That these two operations of Banking have no necessary connection will appear obvious from this, that they might be carried on by two separate bodies without the slightest loss of advantage to the country [that is to say without any diminution of the aggregate of profits.] ¹⁰ Suppose the privilege of issuing paper money [one body might be entrusted with] ¹¹ was withdrawn from the Bank, and was in future to be exercised by the state, subject to the same regulation to which the Bank is now liable of paying its notes on demand in specie, in what way would the national wealth be in the least impaired? We should then as now carry on all the traffic & commerce of the country, with cheap medium paper money, instead of with the dear medium metallic money, and all the advantages which now flow from making this part of the national capital

⁹ Replaces "loan".

¹⁰ Inserted.

¹¹ Inserted, without indication of place.

productive, in the form of raw material, food, clothing, machinery, & implements, instead of in the useless one of metallic money, would be equally secured. The public, that is to say the Government, on behalf of the public, is indebted to the Bank in a sum of money larger than the whole of their issues of paper money [amounts to],¹² for the government not only owe the Bank about 15 millions being the original advance of their capital, at an interest of 3 pc^t., but also many more millions which are advanced on Exchequer bills, on Half pay & Pension Annuities, & on other securities. It is evident, therefore, that if the Government were [themselves to be]¹³ the sole issuers of paper money [instead of allowing the Bank to issue it and borrowing it of them at interest],¹³ the only difference would be with respect to the interest paid by Gov^t. to the Bank; the Bank would no longer receive that interest and the Gov^t. would no longer pay it, but all other classes in the community would be exactly in the same position in which they now stand. In the first place it is evident that there would be just as much money in circulation, for it could make no difference in that respect whether the 16 millions of paper money now circulating in London, were issued by Government, or by a Banking corporation. ²¹³: The merchants could suffer no inconvenience from any want of facility in getting the usual advances made to them in the way of discount or [in]¹³ any other manner, because there would be just the same quantity of money in the country, & [of that quantity]¹³ the Bank would have precisely the same [proportion as before]¹⁴ to lend to them. If it be true, as I have proved, that the advances to Government exceed the whole amount of the issues of the Bank, it is evident that all their [other]¹³ loans [to other parties]¹³ must be made from other funds possessed by the Bank, & which they would continue to possess after the Government had discharged its debt to them. Let it not then be said that the Charter of the Bank ought to be renewed because if it be not the merchants will

¹² Deleted.
¹³ Inserted.

¹⁴ Replaces "quantity".

suffer inconvenience from being deprived of the usual facilities of borrowing.

It may however be said that if the Bank were deprived of this part of its business [which consists in issuing paper money,]¹⁵ it would have no motive to continue a [joint]¹⁶ company, and would agree on a dissolution of its partnership. But suppose this to take place, what inconvenience would commerce sustain by it? If the joint stock fund of the company [be all their own and]¹⁷ be managed by a few directors chosen by the general body, or if it be divided amongst the proprietors, and [be]¹⁸ each portion be managed by the individual to whom it belongs, [will]¹⁹ that [make any]²⁰ difference in its real amount? [or]²¹ in the efficacy with which it may be employed for commercial purposes? The fact however is that in no case would it be managed by the individual to whom it [belongs, but]²² it would be collected in masses, and [probably]²³ managed with [much]²⁴ more economy & skill than it is now managed by the Bank. A great deal too much stress has always been laid on the benefits which commerce derives from the accomodation afforded to merchants by the Bank. I believe it to be quite insignificant compared with that which is afforded by the private funds of individuals. At the present moment we know that the advances by the Bank on discount are of a very trifling amount, & we have the best evidence to prove that they never could have been very great. It is not a difficult matter to ascertain what the whole fund [at]²⁵ the disposal of the Bank has been during the last 30 years. It necessarily consisted of their own capital & savings, of the amount of their notes, & of the amount of the deposits left with them by the government as their banker, and also of the deposits of individuals. From this aggregate fund must be deducted the amount of Cash & Bullion in the coffers of the Bank, the amount of advances to

¹⁵ Inserted.

¹⁶ Deleted.

¹⁷ Replaces "can make no".

¹⁸ Replaces "nor it".

¹⁹ Replaces "would belong".

²⁰ Replaces "under".

[the]²¹ holders of the loans contracted for during each year, the amount of advances to Government in every way. After making these deductions the remainder only could have been devoted to commercial objects, and if [it could be]²² ascertained [it]²² would I am sure be [comparatively of a small]²³ amount. From papers laid before Parliament in 1797, in which the Bank gave [a number as unit and]²¹ a scale of their discounts for different years [without mentioning the actual amount]²¹ it was calculated on data furnished by other documents, also laid before parliament, that the amount to (*sic*) of their discounts for 3 years & a half previous to 1797, vibrated between 2 millions & 3,700,000. [In such a country as this 3 or 4 millions is a trifling amount & bears a small proportion to what is lent in discount by bankers & individuals. The advances to Gov^t. in 1797 were more than 3 times greater than the advances to merchants.]²¹ Mr. Richardson an eminent discount broker was [lately]²¹ examined before a committee of the House of Commons [lately]²² on occasion of an enquiry into the state of the law as it regarded consignors & consignees [of goods],²¹ and he was asked . . .

his answer was . . .

This alone proves the extent of the transactions of this description in which the Bank have no kind of concern. Can it be doubted that [if I].²³ the [number of]²¹ individuals applying to Mr. Richardson [& to others who carry on the same business as he does]²¹ for money on their bills, would be increased if the Bank were to break up their establishment & divide their funds amongst the individual proprietors and can it [be]²¹ less doubted that those same individual proprietors thus having their funds consigned to their own care would apply to M^r. Richardson for the means of employing them. The same amount [of money]²¹ & no more would be

²¹ Inserted.
²² Deleted.
²³ Replaces "very insignificant in".

employed in this branch of business, and if not employed by the Bank, or by the individual Bank proprietors when they had the management of their own capitals, it would inevitably find its way, either by a direct or a circuitous channel, to M^r. Richardson, or to some other [money]²⁴ agents, to be employed by them in promoting the commerce, & upholding the trade of the country. [It would do so for this plain reason that by no other means could these funds be made productive to the parties to whom they belong.]²⁴

If the view which I have taken of this subject be a correct one, it appears that the commerce of the country would not be in the least impeded by depriving the Bank of England of the power of issuing paper money [provided an amount equal to the B^k. circulation were issued by Government]²⁴ and that the sole effect [of depriving the Bank of this privilege]²⁴ would be to transfer the profit which accrues from [interest of the money so issued]²⁵ from the Bank to Government. There remains however one other objection to notice which will not require much time to answer.

It is said that Government could not be safely entrusted with such a power, that it would be sure to abuse it, and on any emergency [when it was pressed for money to carry on a war]²⁶ it would cease to pay coin on demand for its notes, & from that moment the currency would become a forced govern^t. paper. There would [I confess]²⁴ be some danger of this if [Ministers]²⁶ were themselves entrusted with the power of issuing paper money but I propose to place this trust in the hands of Commissioners not removable but by a vote of Parliament. [I propose also]²⁷ that these Commissioners [should]²⁸ have no transactions whatever with ministers [that they should never lend money to them nor be in the slightest degree bound by their instruction],²⁹ excepting that of laying

²⁴ Inserted.

²⁵ Replaces "issue of such money".

²⁶ Replaces "Government".

²⁷ Replaces "When it is considered".

²⁸ Replaces "would".

²⁹ Inserted; "they should be bound only to lay a statement of their accounts", at end of sentence, deleted.

from time to time a statement of their accounts before them. I should think [ministers would under these circumstances] ⁸⁰ have much less control over [the issues of Commissioners so independent of them] ⁸¹ than they now possess over those of the Bank of England. The Bank of England [as is well-known] ⁸² have been in the habit of making advances to Government on Treasury bills and on Exchequer bills, and have frequently been called upon to [increase the amount of such advances] ⁸³ at times when it was extremely inconvenient [to the Bank & highly dangerous to the public interest that they should do so.] ⁸⁴ From a perusal of the correspondence which took place between Govern^t. and the Bank previous to the stoppage of Bank payments in specie in 1797 it will be seen that the Bank attribute the necessity of that measure to the frequent & urgent demands on the part of the Government for such advances. I ask then whether the country would not possess a greater security against all influence [over the minds of] ⁸⁵ the issuers of paper [to make them swerve from their duty] ⁸⁶ [if] ⁸⁶ so powerful a body as the Government [if] ⁸⁷ were precluded from having any transaction [or holding any correspondence] ⁸⁸ with them. If Government wanted money they would be obliged to raise it by the issue of Exchequer bills, by public loans or by borrowing from any of the numerous banks which might exist in the country. It should be a part of the constitution of the board which I propose to establish that they should at no time and under no circumstances lend money to Govern^t.; but that if their funds were so ample as to permit them to dispose of money they should purchase govern^t. securities in open market, and if on the contrary they had occasion to reduce their

⁸⁰ Replaces "they".

⁸¹ Replaces "their issues".

⁸² Inserted.

⁸³ Replaces "do so".

⁸⁴ Inserted; "do so" replacing "make such advances", in insertion.

⁸⁵ Replaces "on".

⁸⁶ Replaces "from".

⁸⁷ Deleted.

[floating]³⁸ securities they should in like manner sell them in open market.

I know that by this regulation a very trifling sacrifice would be made amounting to the turn of the market which may be supposed to be gained by those who deal in these securities [on the amount thus bought & sold]³⁹ but in a question of this importance such a sacrifice is not worth considering. [It must be recollected]⁴⁰ that these transactions would be few in amount, as the circulation would be kept at its just level by being exchanged for coin & bullion when it exceeded its proper proportion, & by the sale of gold bullion or of coin to the commissioners when the amount of paper money was below [its]⁴¹ that proportion. It would only be in the case of the stock of coin & bullion in the coffers of the Commissioners being too low that they would be under the necessity of selling some of their securities in the market in order to purchase with the paper money which they obtained by such sale the gold which they might deem necessary. On the other hand, if the gold came into their coffers too fast, & accumulated [in]⁴² too great a degree, by the issue of more of their paper in the purchase of these securities [such a]⁴³ tendency would be checked. By a very trifling sacrifice then the most complete security could be obtained against the influence which [on a first view]⁴⁴ it might be supposed government would have over the issues of a national Bank and all the interest which is now [annually]⁴⁵ paid by Government to the Bank would become part of the national resources.

I would propose then some such plan as the following for the establishment of a National Bank.

1. [Let Commissioners be appointed for the management of the paper circulation of the country.]⁴⁶

³⁸ Replaces "circulating".

³⁹ Inserted.

⁴⁰ Replaces "as it" and "besides which".

⁴¹ Deleted.

⁴² Replaces "to".

⁴³ Replaces "the".

⁴⁴ Replaces "at first sight".

⁴⁵ Inserted; as also, probably, notation of paragraphs.

2. On the (*sic*) 1833, the day on which the Bank charter expires, let the Commissioners issue [15]⁴⁶ millions of paper money [& pay it]⁴⁷ to the Bank of England, supposing that sum [or more]⁴⁷ to be due from the Government to [the company in discharge of its debt for the Bank Capital for which it is now paying 3 pc. interest]⁴⁸
3. Let the [Commissioners]⁴⁹ with 5 or 10 millions more of paper money purchase gold & silver bullion [to that amount]⁵⁰ [and pay the Bank for as many Exchequer bills as they may think proper to take. If the debt of Gov^t. to the Bank exceed the 15 millions & the money paid for Exch. bills provision must be made for it if the Bank require it by the issue of Exc^t. bills or by loan.]⁴⁷
4. Let the Bank be obliged [to use its best effort]⁴⁷ within 3 months of the expiration of their charter to redeem all [the notes they have]⁴⁷ in circulation by the paym^t. of [them with]⁴⁷ the new notes issued by Government. [The commiss. should act as the Banker of the public, in the same way that the B. of England now does.]⁴⁷
5. Let Bank of England notes be current for 6 months after the expiration of the charter [from which time]⁵¹ they are no longer to be received by Gov^t. in payment of the taxes.
6. [The Bank]⁵² shall not be exempted from the obligation of paying their notes in specie till 6 months after the expiration of their charter after which they shall be bound to pay them only in Government notes and shall be obliged to keep by them [a sum of Govern^t. notes equal in amount to the notes which they may have in circulation.]⁵³

⁴⁶ Originally "20"; changed to "15"; rechanged to "20", and eventually as in text.

⁴⁷ Inserted.

⁴⁸ Replaces "that company".

⁴⁹ Replaces "Government".

⁵⁰ Deleted.

⁵¹ Replaces "after which".

⁵² Replaces "If the Bank sell".

⁵³ Replaces "an"

7. In [8] ⁶⁶ months after the expiration of the Charter the country Bank note circulation shall wholly cease and [for the security of] ⁶⁶ the country Banks [be] ⁶⁶ under the same obligation as the Bank of England to replace their notes by Govern^t. notes or Gold coin.
8. For the greater security of the holders of notes of the Gov^t. [thus issued by the Comm^{rs}. & residing] ⁶⁷ in the country there shall be agents in the different large towns who shall be obliged on demand [either] ⁶⁸ [for the first twelve months] ⁶⁷ to pay the notes presented to them in coin [or] ⁶⁷ to verify their being genuine by affixing their signature to the note or by the issue of a local note [at the option of the party presenting them,] ⁶⁸ as may hereafter be judged most expedient.
9. Notes issued in one district [or bearing the signature of an agent in one] ⁶⁷ shall not be payable on demand in [the London or any other district],⁶⁸ but on the deposit of any number of notes [at the Bank] ⁶⁸ in the office of the district where they were [originally] ⁶⁷ issued [or where they were signed agreeably to the last regulation] ⁶⁷ a bill may be obtained on any other district payable in the notes of that district.
10. Notes issued in the country shall not be payable in coin in the country, but for such notes a bill may at all times be obtained on London, which bill will be payable in coin [in London],⁶⁷ or in London notes, at the option of the party [whose property the] ⁶⁸ presenting the bill.
11. Any one depositing coin or London notes in the London Office may obtain a bill payable in the notes of any other district to be named at the time of obtaining the bill.
12. Any one depositing gold coin in the London office may obtain London notes to an equal amount.

⁶⁶ Originally "6"; changed to "12"; rechanged as in text.

⁶⁷ Deleted.

⁶⁷ Inserted.

⁶⁸ Replaces "being".

⁶⁸ Replaces "another district".

13. [The London district At the office in London shall be bought in any quantity.]⁵⁵ The Commissioners in London shall be obliged to buy any quantity of gold exceeding 100 ounces [at £3. 17. 6]⁵⁶ [and of standard fineness]⁵⁷ that may be offered to them at £3. 17. 6; they shall be at liberty to give a price as high as £3. 17. 10½ if they think proper to do so.

The Commissioners shall be obliged to give [gold]⁵⁸ coin of the standard weight [on demand]⁵⁹ for any notes issued in London or for any bill drawn from the country.

- [14.] Notes of one Pound shall be issued at the first establishment of the Nat^l. Bank and shall be given to any one requiring them in exchange for notes of a larger amount if the person presenting them prefer such notes to coin.

An account specifying the amount of notes in circulation, the prices of gold & silver for each month, the amount & description of Gov^t. securities which the commiss^{rs}. [have]⁶¹ bought & sold since the last return shall be laid quarterly before [the Lord commissioners of the Treasury]⁶² who shall transmit a copy of such accounts within one week [to the House of Commons]⁶³ if Parliam^t. be sitting and if they be not sitting within one week after the commencement of the Session.

On the subject of the first [regulation]⁶⁴ I have already spoken—the commissioners should I think be 3 in number—they should have an adequate salary—should be appointed by Government but should not be removable but [in consequence of]⁶⁵ an address to his majesty by the House of Commons, or by both Houses of Parliament.

The second [& third]⁶⁶ regulation refers to the mode [in]⁶⁷

⁵⁵ Deleted.

⁵⁶ Inserted.

⁵⁷ Replaces "had".

⁵⁸ Replaces "his Majesty".

⁵⁹ Replaces "resolution".

⁶⁰ Replaces "by".

⁶¹ Replaces "by".

which the new circulation is to be substituted for the old. By the provision here made 25 millions of paper money will be issued—that sum will not be too large for the circulation of the whole country, but if it should be [the excess] ⁶⁶ may be exchanged for gold coin.

There are other modes by which the same object might be obtained if the Bank of England cooperated with the commissioners [but which it will not be necessary here to state].⁶⁷ It might [also] ⁶⁷ be desirable that the Commissioners should purchase at a fair valuation from the Bank the whole of their buildings, and take all their clerks & servants into pay. It would be just to the [tried] ⁶⁸ servants of the Bank [to provide employment & support for them],⁶⁷ & useful to the public to have [so many] ⁶⁹ tried & experienced officers to conduct their affairs. It is a part of my plan that the payment for the management of the Nat^l. Debt should wholly cease at the expiration of the Bank Charter and that this department of the public business should be put under the superintendence & control of the [above named] ⁶⁷ Commissioners.

The third regulation provides for a store of gold coin & bullion without which the new establishment could not act. If it were thought necessary to purchase 10 millions of gold in bullion & coin there would be nothing left for the purchase of Excheq^r. bills. [In that case Gov^r. must make some other provision for the payment of the Bank Debt.] ⁶⁷ If 5 mill. of gold should be thought enough 5 millions might be paid for Exch^r. bills. It must be recollected that as by a subsequent regulation the Commiss. are to act as Bankers to all the public departments; this alone would furnish them with four millions of coin & bullion besides that which they should purchase, four millions being the average amount of those deposits even now after the reduction which has taken place in consequence of the cessation of the war. [Whatever debt remained due to the Bank after the paym^t. of the commis-

⁶⁶ Replaces "it".

⁶⁷ Inserted.

⁶⁸ Deleted.

⁶⁹ Replaces "a set of".

sioners must be provided for by loan or made the subject of a special agreement between the Gov^t.]¹⁰

The 4th & 5th regulations provide for the substitution of the new paper money for the old.

The 6th resolution preserves to the country the right to obtain gold coin for whatever notes may be in circulation. While any Bank notes are in circulation the Bank will be liable to pay them in specie and this cannot be injurious to the Bank even if they sold all their gold to Gov^t. because as they would have an amount of Gov^t. notes equal to their own in circulation, they would have the means of providing themselves with gold by demanding it from the Commis. in exchange for their notes.

The 7th resolution provides for the substitution of the new notes for the old country notes. There would be no difficulty on the part of country banks to provide themselves with these new notes—all their transactions finally settle in London & their circulation is raised on securities deposited in London. By parting with those securities they would furnish themselves with the requisite quantity of money to provide for the payment of their notes, consequently the country would at no time be in want of an adequate circulation.

The 8th Resolution provides against losses by forgery. In the first instance paper money cannot be issued from each district but must all be sent from London. It is just therefore that some public agent should in as many places as convenient be prepared to verify the genuineness of the notes. After a time the circulation of each district would be carried on by notes issued in such district.

The 9th regulation provides every possibility for making payments in any district in the country. If a man at York wishes to make a payment [of £1000]¹⁰ at Brighton by the payment of £1000 in notes issued at York to the agent in that town he may receive £1000 from the agent at Brighton in notes of that district.

¹⁰ Inserted.

The 10th regulation affords a security for the payment of the notes of every district in coin in London. If a man in York want £1000 in coin there, it is [not] ⁷¹ just that the Gov^l. should be at the expence of sending it [there] ⁷² to him. [He must be at that expence himself or must impose it upon his debtor.] ⁷³ This is a sacrifice that must be made for the convenience of a paper money. If the inhabitants are not satisfied with it they can substitute gold for paper, but then they must be at the expence of conveying it.

The 11th Regulation [also] ⁷⁴ provides as well as the 9th for the facility of making remittances to all parts of the country.

The 12th Regulation gives the option to every man in London to use paper money or the coin of the realm.

The 13th Regulation provides for a due issue of paper money by obliging the [Commiss^{rs}.] ⁷⁵ to issue more paper [if in consequence of] ⁷⁶ when [its] ⁷⁴ low value [of gold] ⁷³ as compared with [gold] ⁷⁵ shews that [it] ⁷⁶ is not in sufficient quantity. [This is the case when 3. 17. 10½ in paper will purchase more than an ounce of gold, for by law an ounce of gold is coined into £3. 17. 10½ and therefore it is of less value than paper money if an ounce of it will not sell for £3. 17. 10½ in paper money.] ⁷⁷ If the commissioners regulate their issues by the comparative value of gold & paper they cannot err and they might carry on the whole business of currency with a very small quantity of gold by merely increasing or diminishing the quantity of paper according as its value was high or low compared with gold. As it is however [desirable] ⁷⁸ to be on the safe side [it would] ⁷⁹ in managing the important [business of paper currency] ⁷⁹ for a great country it would be expedient to make such a provision of gold as [occasionally] ⁷⁷ to correct the exchanges with foreign countries as much by the [occasional] ⁷⁸ exportation of gold as by the reduction of the quantity of paper.

⁷¹ Replaces "but".

⁷² Deleted.

⁷³ Replaces "Bank".

⁷⁴ Replaces "the".

⁷⁵ Replaces "paper".

⁷⁶ Replaces "the latter".

⁷⁷ Inserted.

⁷⁸ Replaces "expedient".

⁷⁹ Replaces "question of currency".

The 14th Regulation provides for [the circulation]⁸⁰ a supply of one Pound notes for the country circulation. These must in the first instance [on the first establishment of the concern,]⁸¹ [but not afterwards],⁸⁰ be issued in London—they will be afterwards countersigned in the country, and may ever after if it be thought right [to banish that species of circulation from London be]⁸⁰ issued in the country only. [As a check upon the country agents [of the Bank]⁸² it might be a permanent regulation for the Commissioners to send the one pound notes signed in London to the country to be countersigned before they were issued by the country agent. He would be responsible for the whole number sent in the same manner as the distributors of stamps are now responsible for the stamps which are in the first instance only intrusted to their care.]⁸⁰

If the Plan now proposed should be adopted the country will probably [save]⁸³ in the most moderate computation save (*sic*) per ann. Suppose the circulation to amount to 25 millions & the Gov^t. deposit to be 4 millions making together 29 millions. From this must be deducted 6 millions for gold coin & bullion to answer occasional demands leaving a balance of 23 millions which at 3 pc^t. is £690,000. The Bank are now paid for the management of the debt £248000 which added to £690000 makes £938,000. Now supposing the expences to amount to 188000£ then will remain for the public an annual gain of £750,000.

It will be seen that the plan provides against any party but the Commiss^{rs}. in London making [an]⁸⁴ original issue of notes. In the first instance they are all issued in London & [a part]⁸⁰ must find its way into the country & be substituted for the country circulation. If from any circumstances the circulation in [any particular country district]⁸⁴ should become redundant it could only be reduced by the

⁸⁰ Inserted.

⁸¹ Replaces "be iss —" and "that is to say".

⁸² Deleted. ⁸³ Replaces "any". ⁸⁴ Replaces "country".

return of notes to the country agent and the demand of a bill on [the London Bank or on some other district].⁸⁵ If the [London district or any other district in the country required] ⁸⁶ circulation of London or any of the other districts could not bear an increase the redundant circulation of the particular district would be finally exchanged for gold coin in London which would be melted & exported. If on the contrary the circulation of any particular district were too low it could only be increased by a transfer from London or from some other district where the circulation might be redundant. In London the circulation can always be increased [either] ⁸⁷ by means of the sale of gold bullion to the commissioners for paper money to be issued on the demand of the seller of the bullion [, or by the issue of notes by the commissioners in payment of gov^t. securities which they are authorised to purchase in the market].⁸⁸ The only difference in the way proposed, & that by which the circulation is now regulated is this that if there be need of an increased quantity of circulation in the country now the country banker can increase the quantity of his notes & lend them at interest, or he can increase his gold deposits & increase his issues at the same time; in fact by buying gold coin with his notes. By the plan proposed he can do neither of these but the commissioners can; when they buy gold & procure the gold to be coined they in fact increase their issues & their deposits [of gold coin],⁸⁹ at the same time [when] ⁹⁰ they purchase gov^t. securities in the market [they] ⁹⁰ create an additional number of notes, and lend them at interest.

It is hardly necessary to observe that these country agents ought to be in constant correspondence with the London District [for the purpose of] ⁹¹ giving them information of [all

⁸⁵ Replaces "London Bank."

⁸⁶ Deleted.

⁸⁷ Inserted.

⁸⁸ Replaces "This is in fact the precise way in which the circulation of London and the country is now regulated. When the".

⁸⁹ Replaces "or".

⁹⁰ Replaces "which is to".

the notes] ⁹¹ their proceedings. Suppose a country agent to issue 1000 notes of £1.—he must give information of that fact, sending at the same time the larger notes for which he has exchanged them. If he receives 1000£ & gives a bill on another district he must send up the bill to London and state the fact of his having [so] ⁹² given the bill not only to the London district but also to the district on which the bill is drawn. [and this] ⁹¹ I do not wish to go too much into detail, my only object is to shew that the security against fraud is almost perfect as [all] ⁹¹ the vouchers [are] ⁹¹ for every transaction [are all originally issued & must] ⁹² ultimately rest with the Commissioners of the London district.

C.

On the same day 10 millions of paper money shall be placed at the disposal of the Commissioners, with a part of which they shall purchase from the Bank or from other persons such a quantity of gold & silver bullion, & gold & silver coin, as they may think it expedient, [with] ⁹¹ the remainder [they] ⁹¹ shall [be wholly devoted to] ⁹² discharge [within 6 mo. (after the expiration of the B^k. charter)⁹¹] ⁹² a part of the debt [of Excheq^r. bills] ⁹¹ due by the Government to the Bank & for which they hold Excheq^r. bills [The E. Bills thus redeemed] ⁹³ shall thereafter remain at the disposal of the Commissioners.

The Commissioners shall act as the Public banker in the same way [as] ⁹⁴ the Bank of England now acts—but it is forbidden to act in that capacity to any other body whatsoever.

⁹¹ Deleted.

⁹² Inserted.

⁹³ Replaces "and which Excheq. bills".

⁹⁴ Replaces "that".

XVIII.
CORRESPONDENCE

A.

i.	J. B. Say to Ricardo	July 19, 1821
ii.	Ricardo to J. B. Say	March 3, 1822
iii.	J. B. Say to Ricardo	May 1, 1822
iv.	J. B. Say to Ricardo	May 8, 1822

Ricardo and Say had met in 1814, when on the occasion of a visit to England, Say had enjoyed the genial hospitality of Gatcomb Park—"an unaffected agreeable man, and I found him an instructive companion" ("Letters to Malthus", p. 82). Thereafter the two economists continued in correspondence through at least the spring of 1823. Say contributed "des notes explicatives et critiques" to Constancio's translation of the "Principles" in 1819, and Ricardo made answer in the second edition (1819) of his treatise. In his 'Continental Tour', Ricardo saw Say several times in Paris (November—December 1822)—"but never found him much inclined to talk on the points of difference between us—his ideas do not flow in a sufficiently rapid course for conversation" ("Letters to Trower", p. 196). The letters that passed, in so far as available, were printed by Comte in 1833 ("Mélanges et Correspondance d'Economie Politique de J. B. Say", Paris, 1833; Ricardo's letter in French translation), and were summarized by Dr. James Bonar in 1887 ("Letters to Malthus", *passim*). The Ricardo MSS. include the originals of Say's letters of July 19, 1821 and May 1, 1822 (from which it appears that the text in the "Mélanges" is an enlarged redaction), and a transcript, apparently exact, of Ricardo's letter of March 3, 1822, heretofore available only in French translation. In addition to these, below is presented a minor letter of Say to Ricardo, introducing the private secretary (about to visit England) of the Crown Prince of Denmark to whom Say had been giving private lessons ("Letters to Malthus", p. 210).

i.

Mon cher Monsieur

J'ai reçu avec votre lettre du 8 mai, un exemplaire de la 3^e. édition de votre important ouvrage. Agréer-en tous mes remerciemens. J'y vis de nouvelles preuves que les matieres d'Economie politique sont prodigieusement compliquées, puisque, tout en cherchant la verité de bonne foi, et après que nous avons, les uns & les autres, consacré des années entieres à approfondir les questions que presente cette Science, il est encore plusieurs points sur lesquels M. Malthus, vous, et moi ne pouvons entierement nous mettre d'accord.

Au milieu de ces dissentimens, c'est néanmoins un bien bon signe que nous soyons d'accord sur l'essentiel ; je veux dire sur la possibilité qu'ont les hommes de multiplier leurs richesses.

Vous m'exhortez à soumettre à des nouvelles meditations la doctrine qui fonde les richesses sur la valeur échangeable des choses. Je l'avais déjà fait à l'époque où je fus critiqué par vous dans votre première édition ; j'ai recommencé le même examen en publiant la quatrième édition de mon *Traité d'Economie politique* ; je viens de remettre ce même sujet sur le metier en travaillant à un ouvrage bien plus considerable que tout ce que j'ai fait jusqu'à present ; et je vous avoue que cette doctrine me semble toujours conforme aux faits (qui sont nos maitres à tous) et qu'à mes yeux elle ne laisse sans explication aucun des phénomènes de l'Economie politique.

Elle a de plus l'avantage de raisonner sur des quantités appréciables, caractere essentiel de toute doctrine scientifique, caractere qui peut seul assurer la marche des investigateurs. Car enfin pour savoir ce qui fait grandir ou diminuer nos biens, il faut savoir ce qui les constitue *grands* ou *petits*. C'est, permettez-moi de vous le dire, ce que ne peut enseigner la considération de la *Valeur en utilité* (*value in use*) mots qui me paraissent incompatibles, parce que l'idée de *valeur* ne peut être séparée de celle de comparaison et d'échange.

Je persiste donc à croire que créer de l'utilité c'est créer de la richesse, mais que nous n'avons d'autre mesure de cette utilité créée, que la plus ou moins grande quantité d'un autre produit quelconque ; quantité qui forme la *valeur échangeable* du premier, son *prix-courant*.

L'utilité qui est naturellement dans une chose, et qui ne lui a pas été donnée comme celle de l'eau, fait partie de nos *richesses naturelles* ; mais n'ayant aucune valeur échangeable, elle ne peut être l'objet des recherches de la science économique. Et pourquoi l'eau n'a t'elle point de valeur échangeable ? Parce qu'elle n'est pas un sujet d'échange, parce que, pour en avoir, personne n'était obligé d'en acquérir, elle n'est l'objet d'aucune demande.

Une grande utilité qui peut se donner à peu de frais, rapproche la chose à laquelle elle est conférée, d'une *richesse naturelle*, d'une chose qui a son utilité par elle-même & sans frais; mais en Economie politique, nous ne pouvons nous occuper que de la portion d'utilité qui a été donnée *avec des frais*.

Les circonstances qui occasionnent des frais sans production d'utilité, comme les impôts, ne produisent pas de la richesse; et lorsqu'on les fait payer au consommateur, on lui fait payer un prix pour lequel on ne lui donne rien en échange.

En d'autres termes, les seules richesses nouvelles sont des Services productifs, premiers fruits de notre industrie, de nos capitaux, et de nos terres. On les échange entr'eux, ou bien on échange leurs produits; et la quantité que l'on donne des uns pour avoir les autres, est l'indication de la *valeur* qu'on y attache, valeur qui seule fait le sujet de notre étude.¹

Il me semble, Monsieur, qu'il n'y a rien dans toute cette doctrine que de parfaitement conforme à la vérité, et je vous engage à mon tour à la soumettre à de nouvelles méditations de votre part, avec toute la profondeur dont vous êtes capable. Vous allez voir qu'elle explique les principales difficultés que vous m'opposez.

Vous dites (pag. 332. 4th ed.) "When I give 2000 times more cloth for a pound of gold than I give for a pound of iron, does it prove that I attach 2000 times more utility to gold than I do to iron? etc." Non; mais en supposant pour un moment qu'une livre d'or et une livre de fer rendent à l'homme un service parfaitement égal malgré l'inégalité de leur valeur, je dis qu'il y a dans une livre de fer:

1999 degrés d'utilité naturelle faisant partie des richesses que la nature ne nous fait pas payer, et qui ne concernent pas l'Economie politique;

et 1 degré d'utilité créée par l'industrie, les capitaux &

¹ Inserted.

les terres, utilité que nous payons et qui est la seule qui fasse partie des richesses échangeables, uniques objet de nos recherches.

2000 degrés d'utilité en tout, residans dans une livre de fer. Tandis que dans une livre d'or il y a :

2000—degrés d'utilité tout entiere échangeable parce qu'elle est [tout entiere] ^a le fruit de notre industrie, de nos capitaux & de nos terres; [utilité] ^a qui fait partie, non de nos richesses naturelles, mais de nos richesses sociales, les seules dont l'Economie politique puisse d'occuper.

Voilà ce qui m'attire le reproche que vous me faites (pag. 336) lors que vous dites: "Mr. Say constantly overlooks the essential difference that there is between value in use, and value in exchange." Certainement je néglige ce qui n'a qu'une *valeur d'utilité* ou plutôt de l'utilité sans valeur, car je regarde ces mots: *valeur d'utilité* (*value in use*) comme un contre sens; est que je prétends que l'utilité sans valeur n'entre pas dans les considerations de l'Economie politique.

Et l'égard de l'exemple ingénieux que vous me citez, dans votre dernière lettre, de deux pains d'égale valeur, provenus de deux terrains d'inégale fertilité, je vous demande la permission de l'expliquer selon ma doctrine, comme j'ai fait pour l'exemple de la livre d'or et de la livre de fer. La nature fait present au propriétaire du terrain, d'un service productif qu'il peut faire payer au consommateur, parce qu'il a le monopole de ce service indispensable. Ce present que lui fait la nature, est plus grand lorsque le terrain est fertile; il est plus petit lorsque le terrain est ingrat. Si le service du terrain était sans bornes, inepuisable, à la portée de tout le monde, ce serait un present fait à tout le monde et donc nous jouirions sans le payer, comme du vent qui enfile nos voiles, chaque fois que nous voulons nous en servir. Le consommateur serait infiniment riche s'il pouvait acquerir au même prix toutes les portions d'utilité qu'il voudrait consacrer à la satisfaction de ses

^a Inserted.

^a Replaces "et".

besoins; mais toutes ses richesses seraient naturelles: elles n'auraient plus de valeur échangeable; il n'y aurait plus d'Economie politique; mais l'on n'en aurait plus besoin.

Je ne comprends pas pourquoi vous me dites dans votre lettre en parlant de cette doctrine: "The information is not useful and can lead to no inference whatever that may guide our future practice." Il me semble au contraire que nous en pouvons tirer cette induction que les grands progrès de la production consistent dans la substitution des services gratuits de la nature à la place des services dispendieux de l'industrie, des capitaux et des terres.

Vous ajoutez: "What we wish to know is what the general law is that regulates the value of bread as compared with the value of other things." C'est ce qu'enseigne la doctrine de l'offre & de la demande (want and supply). Le besoin qu'on a d'une chose en fait naître la demande; la nécessité de produire la chose en restreint la demande. Lorsqu'aux yeux de consommateur, une chose vaut autant que les frais de production qu'elle coûte, on la produit. Lors que la valeur qu'on y attache n'égale pas la valeur des services productifs nécessaires pour qu'elle existe, on ne la produit pas. [Cette dernière circonstance] * est une preuve que la même quantité de services productifs peut former un produit qu'on estime valoir plus que cette chose.

Je ne crains pas de me tromper en affirmant que ces doctrines, (avec tous leurs développemens) enseignent tout ce qu'on peut être desirieux de savoir sur ce sujet.

C'est avec beaucoup de plaisir que j'apprends que vous avez formé en Angleterre, un Club d'Economistes politiques, et je ne doute pas qu'il ne contribue puissamment à repandre les principes de cette science. Je m'estimerai heureux d'y être associé. En attendant si vous croyez que nos controverses puissent intéresser ses membres, je vous engage à leur communiquer cette lettre.

* Replaces "II".

Agrez, Mon cher Monsieur, l'assurance de ma haute consideration & de mon très sincère devouement.

J. B. Say

Paris [] Juillet 1821

P.S. J'ai vu avec peine que plusieurs des ecrivains anglais qui ont fait mention de mes Lettres à Malthus, outre qu'ils n'ont pas toujours rendu fidelement mon sens, ont intepreté ironiquement les eloges que je donne à l'illustre auteur de l'Essai sur la population. Comme vous le viriez quelquefois, ayez la bonté de lui lire que les temoignages de mon admiration pour son premier ouvrage, sont la fidele expression des sentimens que je professe et qui ne peuvent etre alterés par les discussions ou nous sommes entrés sur des questions d'Economie politique. J'ai lu les principaux ecrits où l'on a attaqué sa doctrine de la population, & je serai bien aise qu'il sût qu'ils n'ont ébranlé en rien l'estime que je fais et de la doctrine, et du livre, & de son respectable auteur.

David Ricardo, Esq. à Londres.

ii.

London 3 March 1822

Dear Sir:

I have received the letter which you kindly sent to me in answer to mine of May last. I am much indebted to you for the trouble you have taken in explaining your view of the subject of value and I am happy to observe that the difference between us is much less than I had hitherto considered it. You speak of two different utilities which commodities possess, one, which they derive from nature without any of the labour of man, the other which they derive exclusively from his labour. You say that for the first of these, which you call natural utility, nothing valuable can be obtained in exchange and it is only for that portion of utility which is given to a commodity by labour or industry for

which any thing valuable can be obtained. You add—"Mais en Economie Politique nous ne pouvons nous occuper que de la portion d'utilité qui a été donné *avec des frais.*" You explain on these principles the case I had put to you of a pound of iron and a pound of gold, which I had supposed had exactly the same utility though the gold was 2000 times more valuable. If we give 2000 times more for the gold than the iron you say it is because that particular utility of which only Political Economy treats namely that given by labour is 2000 times greater than that given to iron and you add that the iron has 1999 portions of natural utility for which nothing is given of which the gold has none.

Although I cannot quite approve of the terms used to explain this truth, yet I do now, and always have substantially agreed in the reasoning which proved it, for I have always contended that commodities are valuable in proportion to the quantity of labour bestowed upon them, & when you say that they are valuable in proportion as they are useful & they are useful in proportion to the quantity of labour or industry bestowed upon them you are in fact expressing the same opinion in other words. It follows from your doctrine that if by any process, of the 2000 portions of the utility given to gold by labour, 1000 portions were given to it by nature & the other 1000 portions by labour gold would fall to one half of its former exchangeable value. But would a pound of gold form the same portion of riches as before? You would be bound to say it would not, because you say riches do not depend on quantity but on value. I on the contrary who do not estimate riches by value but by the whole quantity of utility which the commodities which constitute riches possess from whatever source derived whether from nature or from industry, should say that I was equally rich in the possession of a pound of gold after the discovery of the economical process, although my riches would only be half their former value. In saying so I should [be] justified by various passages in your different works. In your last

edition of the "Catechisme" you say Page 2 that the riches of a person are in proportion to the value^s of the commodities which he possesses^s and not in proportion to their quantity;^s so far you repeat the same opinion but when your pupil calls on you to explain what is the measure of the value of things you answer that it is the [quantity of all other things]^s that the proprietor is enabled to command^s by their means, if he consent to exchange them. Now in this I think there is a contradiction for we are told that riches are in proportion to value^s and value^s in proportion to the quantity^s of things, therefore riches are in proportion to the quantity of things; and yet you say that riches are in proportion to value and not in proportion to the quantity of things. Let us suppose that the same cause namely an economical process, which lowers the value of gold one half lowers at the same time in the same degree and by the same means, hats, shoes, cloth, & linen. In this state of things a pound of gold will command just as many hats, shoes, cloth, & linen as before any of the economical processes were discovered. I ask is the man equally rich as before who has the one pound of gold? You first answer me no, because he has not a commodity of equal value, and you secondly answer yes, because he can command an equal quantity of various other commodities. In your letter to Mr. Malthus you say, very justly that if corn & woollen goods be produced with so much facility that with their former cost in productive services, double the quantity be produced, they will fall one half in value. You consider value as the measure of riches and yet you say that a person getting in exchange a double *quantity* of these woollen goods & corn gets a larger portion of riches. *Les services dans un tel exchange, sont mis en opposition de valeur avec les services productifs ou comme en tout echange, l'un des deux termes vaut d'autant plus qu'il obtient une plus grande quantité de l'autre, il resulte que les services productifs valent d'autant plus que les produits sont multipliés, et à plus bas*

^s Italicized, in pencil.

pris. Voilà pour quoi la baisse des produits, en augmentant la valeur des fonds productifs d'une nation et des revenus qui en emanent, augmente les richesses nationales. Cette demonstration qui se trouve en detail au chap 3 du liv. 2 de mon Traité d'economic politique, 4^e. edition a rendu ce me semble quelque service à la science, en expliquant ce que jusque là avait été senti sans etre expliqué c'est que bien que la richesse soit une valeur échangeable, la richesse generale est accrue par le bas prix des marchandises et de tout espece de produits. Double the production of A, B, C, & D by economical processes and you do not augment the riches of either but collectively they are nevertheless doubly as rich as before. Surely in this explanation riches & value are not always used in the same sense. According to my view they would be simply and collectively doubly rich but their riches would not have increased in value; they would not increase in value, because they would have no more of that utility, given exclusively by labour.

On the other point respecting the circumstances which make two loaves raised on land of unequal fertility of equal value although the rent derived from them will be different, we in many respects agree. Rent is the effect of the monopoly of land of a certain fertility & must rise with the value of the loaf, and with the difficulty of producing additional loaves. But the last loaf produced pays little or no rent and its value as well as the value of all other loaves, rises, because a greater quantity of its utility is derived from labour & industry, & a smaller quantity from natural means. You say demand and supply regulate the price of bread; that is true, but what regulates supply? The cost of production,—the quantity of utility imparted to bread by industry. Rent is the effect of high price not the cause. In some loaves there must necessarily be little rent. I should say no rent at all. You say bread is regulated in value by productive services; true, but in some bread of five shillings value, the productive services may be divided thus: Rent— 2/-, Profit 1/- and labour 2/-

and in another equal quantity of bread of the same value they may be divided as follows: Rent nothing, Profit 1/- and labour 4/-. I object to the lumping the productive services altogether; I want to know the part which each performs in giving value to bread.

At the last meeting of our Political Economy Club, I read your letter for which I was desired to return you the thanks of the meeting. Our society is a very unpretending one, & had made no provision for the admission of Honorary members—they have now, however, passed a law to admit foreigners only in that character, and I am happy to inform you that we have elected you unanimously. We hope in good time to elevate ourselves from a "Club [""] to a more dignified title, and to become a numerous as well as a scientific body. I have received from Mr. Place the 2^d. edition of your "Catechisme D'Economie Politique" for which I am very much obliged to you. I have not yet had time to look at more than the 2 first chapters. I promise myself both pleasure and instruction from the perusal of the remainder.

I remain, dear Sir, with the greatest esteem

Your faithful servant

David Ricardo.

iii.

Paris 1^{er}. Mai 1822

Mon cher Monsieur

J'ai reçu votre lettre du 5 de mars. Les developemens pleins de justesse & de clarté qu'elle renferme, reduisans les questions à leurs termes les plus simples, ne seront pas inutiles aux progrès de l'Economie politique. Je me range à votre avis sur plusieurs points; mais je sollicite un nouveau jugement de votre part sur les suivans.

Vous me dites:

"In your last edition of the *Catéchisme* you say (page 2) that the riches of a person are in proportion to the value of

the commodities which he possesses, and not in proportion of their quantity . . . but when your pupil calls upon you to explain what is the measure of the value of things, you answer that it is the quantity of all other things that the proprietor is enabled to command by their means, if he consent to exchange them."

"Now in this I think there is a contradiction; for we are told that riches are in proportion to value, and value in proportion to the quantity of things; therefore riches are in proportion to the quantity of things. And yet you say that riches are in proportion to value and *not* in proportion to the quantity of things."

La contradiction apparente que nous trouvez ici, Monsieur, vient de ce que vous ne faites point, comme moi, une différence entre le quantité de choses utiles *dont un homme peut jouir*, et la quantité de choses utiles *qui peuvent servir à faire une acquisition*. Suivant moi, cette dernière quantité de choses utiles compose seule la richesse dont l'Economie politique [puisse] * s'occuper, parce que l'accroissement ou le décroissement de cette seule quantité, sont soumis à des lois qu'elle puisse assigner.

Ce n'est point le cas de choses utiles ou agréables qui ne peuvent servir à faire une acquisition, qui n'ont point de valeur échangeable. Un homme dont les terres sont assises sur une couche, de pierres à bâtir commune à tout le canton, ou dont les terres sont traversées par une rivière qui traverse aussi la plupart des autres terrains, possède des pierres de taille & de l'eau qui certainement sont des choses utiles et agréables, mais ces choses (que je suppose n'avoir dans le pays aucune valeur échangeable) ne sont point une partie de sa fortune; leur accroissement et leur décroissement, ne dépendent pas des lois de l'Economie politique, mais de lois physiques qui sont étudiées par ceux qui s'occupent de géologie & d'histoire naturelle.

Tout ce qui nous empêcherait d'être d'accord serait donc

* Remplace "peut".

que vous voulussiez meler dans les considerations d'Economie politique aux *richesses sociales* (ou valeurs échangeables) les *richesses naturelles* (ou ces utilités qui ne sont le fruit d'aucuns services productif et que Smith appelle *valus in use*). Veuillez revoir ce que je dis de ces deux sortes de richesse page 201 de mon *Catéchisme* (2^e. édition) et tome 2 page 500 de mon *Traité* (4^e. édition).

Par une suite necessaire, je ne saurais separer l'idée de la richesse sociale, de l'idée d'un *possesseur*, et je vous avoue que je desapprouve toutes les définitions des richesses ou l'on ne fait pas entrer l'idée d'un homme ou d'une communauté qui les possèdent, et d'un autre homme ou d'une autre communauté qui ne les possèdent pas et qui ont le desir de les acquerir, desir fondé sur leur utilité qui est par là suivant moi la première base de leur valeur échangeable. On serait injuste de me reprocher la longueur & la complication des définitions de richesses qui reposent sur toutes ces idées. Pour caracteriser une chose, il faut bien énoncer tous les caractères qui lui sont propres et qui la différencient d'une autre chose.

Vous me dites :

"Let us suppose that the same cause, namely an economical process, which lowers the value of gold one half, lowers at the same time, in the same degree, hats, shoes, etc. In this state of things, a pound of gold will command just as many hats, shoes, etc. as before. . . I ask is the man equally rich as before who has a pound of gold? You first answer *no* because he has not a commodity of equal value, etc."

Je vous demande bien pardon : je ne repond pas *Non* ; je reponds *Oui*, car, dans cette supposition, une livre d'or peut acheter la même quantité de produits et que la valeur échangeable de la livre d'or est en proportion de la quantité de choses qu'elle peut acheter. Mais en même temps je dis que les services productifs (qui forment nos revenus) ont doublé de valeur, puisque une pareille quantité de services productifs, peut obtenir une double quantité d'or, de chapeaux, de souliers, etc. Et comme le doublement de la valeur des

services productifs (c'est à dire des services de l'industrie, des capitaux & des terres) double la valeur des fonds d'où ils proviennent (qui sont les facultés humaines, les capitaux, et les terres) j'en conclus que, dans votre supposition la nation est le double plus riche. Ses produits valent autant & leur quantité est double.

Il me semble que cette doctrine explique tous les phénomènes & qu'elle est conséquente au principe que la richesse que l'on possède, est en proportion de la quantité de choses que l'on peut acquérir par son moyen.

Je suis fort reconnaissant de l'accueil que la Société Economico-politique a bien voulu me faire, et je lui témoigne ma gratitude dans une lettre que j'adresse à son Secrétaire M^r. Cowel, jun^r. Je soumetts en même temps aux méditations de la société, deux ou trois questions dont la solution me semble importante.

Notre nation, absorbée par les affaires, par les plaisirs, et par les querelles politiques, donne bien peu d'attention aux questions économiques. Dans une très belle institution que nous avons, (le Conservatoire des Arts & Métiers) je développe deux fois par semaine les principes de l'Economie politique, dans des discours publics pour tous le monde; et, j'ai honte de le dire, près de la moitié de mon auditoire est composé d'étrangers, anglais, polonais, russes, grecs, espagnols, portugais, américains. Le prince héréditaire de Danemarck, qui va partir pour Londres, ne pouvant suivre cet enseignement qui est fort entendu, m'a prié de l'initier en particulier aux principes de cette science, qu'il m'a paru saisir fort bien; ce qui est d'un bon augure pour les peuples qu'il est appelé à gouverner. J'espère que cela pourra influer sur le bon accueil qu'il trouvera sans doute en Angleterre. J'ai souvent enrichi mes leçons en l'entretenant de vos ouvrages.

Agréez, mon cher monsieur, les nouvelles assurances de ma haute considération & de mon très sincère dévouement.

J. B. Say

Londres M^r. David Ricardo

Membre de la Chambre des Communes

iv.

Mon cher Monsieur

Permettez-moi de vous adresser Monsieur Adler Secrétaire intime de Son Altesse Royale le prince héréditaire de Danemarck qui pars pour visiter l'Angleterre. Ce Prince a désiré, non seulement de faire connaissance avec vos institutions, mais avec les hommes les plus éminens de votre pays; il devait donc désirer de vous voir, et je m'estime heureux de pouvoir vous mettre en relation avec lui en vous recommandant M^r. Adler, qui est lui-même un homme d'un mérite distingué.

Vous ne trouverez pas le Prince, étranger au langage de notre science. Jaloux de faire le bonheur des peuples qu'il est appelé à gouverner, il a voulu chercher avec moi les sources de la prospérité des nations; et j'ai admiré tout à la fois sa noble persévérance, son excellent jugement et son extrême sagacité. Auprès de qui peut-il mieux s'informer de l'Economie de votre nation, des maux qui pèsent sur votre agriculture, de leurs causes, de leurs suites probables, de l'état de votre Système monétaire et de votre commerce, en un mot de tout ce qu'un Prince, honnête homme, peut demander à un profond publiciste, qu'auprès de vous?

Agrez, Mon cher Monsieur, la nouvelle assurance de mon haute considération & de mon inaltérable dévouement.

J. B. Say

Paris 8 mai 1822

Monsieur David Ricardo, membre du
Parlement d'Angleterre
à Londres

B.

- i. Condy Raguet to Ricardo September 20, 1820
 ii. Condy Raguet to Ricardo April 19, 1821

It is likely that even before the Georgetown (D. C.) reprint (1819) of the "Principles" had made Ricardo's treatise accessible to American readers, some acquaintance with his opinions was current on "this side of the Atlantic". The two following letters, included in the Ricardo MSS., suggest how inevitable was this contact. Condy Raguet's interesting life has been outlined by Dr. Broadus Mitchell (Palgrave, "Dictionary", *sub nom.*) and a more detailed study is in prospect. It would be a happy circumstance if in this connection or otherwise, Ricardo's part in the correspondence were brought to light.

i.¹

Philad. Sept. 20. 1820.

Sir

Without the pleasure of a personal acquaintance with you, or the opportunity of an epistolary introduction, I take the liberty which belongs to every friend of science, of addressing you, under the full persuasion that you will agree with me in sentiment, that the progress of truth should not be arrested merely from the want of a ceremony, called for indeed by the rules of polite intercourse, but upon the present occasion, wholly impracticable.

The world, Sir, is much indebted to you for your valuable labours in the investigation of the truths of political economy, and especially of that branch of it which involves the phenomena of *currency*. Your plan for the resumption of cash payments by the Bank of England, was undoubtedly one of great wisdom, and I cannot but think, the only one which was calculated to restore the currency, without overwhelming the commercial interest. The events which have occurred in the United States within the last seven years, have been full

¹ Fourth side used as cover, & addressed "David Ricardo, Esq. Author of a Treatise on The Principles of Political Economy, London". Apparently delivered by hand.

of instruction to the enlightened enquirer. Facts must ever constitute the basis of theory, and of them we have had a sufficient abundance to establish the principles of which you have for years been the able advocate.

Under a full conviction that the great mass of our distresses were occasioned by the flagrant abuse of the banking system, I caused an inquiry to be instituted last winter in the Senate of Pennsylvania, of which I have the honour of being a member, the object of which was, to point out the evils resulting from the injudicious expansion and contraction of paper. The committee appointed for the purpose made a report, and as it contains some information which may possibly amuse you at a leisure moment, I have taken the liberty of sending you a copy of which I beg your acceptance. Had our banks adopted the course of a gradual reduction of their loans, instead of a rapid one which instantly paralysed all industry and enterprize, we might have passed through the fiery ordeal with half the ruin into which we have been plunged. But alas! all attempts by intelligent men to point out the consequences were disregarded, and the consequence has been a wide spread scene of bankruptcy, and an incalculable loss of labour.

Your late work on the Principles of Political Economy, has been read here with interest: The science upon which it treats is in its infancy in America, but it is to be hoped that the public attention will be more and more drawn to it, until on this side of the Atlantic we shall be able to produce some authors, who may give additional lights particularly as relates to the progress of wealth in a *new country*.

I should be pleased to receive a communication from you, and if there are any matters connected with our economy, on which you should wish to be informed, I should take great pleasure in devoting my slender abilities to your service.

Charles Augustus Fulk Esquire, a gentleman well known in London where he resides, amongst the members of The New Jerusalem Church, is the only correspondent I have in

that City. Should you feel disposed to refer to him, he will satisfy you as to my condition in Society.

With great respect I have the honour to be

Sir

Your most Obt. Servt.

Condy Raguet

David Ricardo Esq.

ii.

Philadelphia April 19. 1821

Sir

I had a few days since the honour of receiving your letter of the 5th of february last. The liberal sentiments contained therein, relative to the intercourse between the United States and Great Britain, meet my entire approbation, and have been read with much interest, by a number of my friends, who are advocates of the doctrine of "laissez nous faire."

Our country is at this time divided into two great parties, one of which advocates the system of restrictions and prohibitions. The [other]³ maintains the position, that the natural course of things is to be preferred, and that if our attention is to be directed towards manufactures, it had better be done without an artificial excitement. The latter party which comprizes the great mass of the cotton, rice and tobacco planters—nearly all the merchants, and a considerable portion of the economical manufacturers of the Eastern States, is strongest both in numbers and in talents, and they have thus far been enabled to prevent any alteration of the tariff, having for its view the protection of manufactures. It is not likely that our Congress will interfere in this matter—manufactures of cotton and other materials are gradually *forcing their way*, and every day sees a diminution in the number of those who have heretofore been desirous of an increase of duties. This nation, I think, must needs become a manufacturing one. Provisions are abundant and cheap, and the

³ Inserted.

great distance of a vast portion of our best lands from a market, without a water communication, will deprive the inhabitants of the means to pay for foreign commodities. Wheat in the state of Ohio, say 500 miles from Philadelphia is worth but 37½ cents per bushel, [which is] * less than 2 dollars a barrel for flour. A man in that State could never purchase a coat of British broad cloth, with grain, and were it not for the cattle and horses which are raised in our Western States as almost the only species of agricultural products which will bear the expense of a distant transportation, there would be an utter absence of all [coin],* or nearly so. It is on this account, that the collection of western debts is almost wholly impracticable, and as our Importers are indebted to the British manufacturers, these latter suffer in their turn. You will perhaps be astonished to learn, that notwithstanding the ruinous effects of the banking system in our Atlantic States, the evil is not yet cured, in the interior. The circulating medium is there principally depreciated and inconvertible paper, and so far is the delusion still kept up, that in Kentucky and Tennessee *new banks* without a specie capital or [any]* obligation to pay their notes in gold or silver, have lately been established.

You state in your letter that you find it difficult to comprehend, why persons who had a right to demand coin from the Banks in payment of their notes, so long forebore to exercise it. This no doubt appears paradoxical to one who resides in a country where an act of parliament was necessary to protect a bank, but the difficulty is easily solved. The whole of our population are either stockholders of banks, or in debt to them. It was not the *interest* of the first to press the banks and the rest were *afraid*. This is the whole secret. Any independent man, who was neither a stockholder or debtor, who would have ventured to compel the banks to do justice, would have been persecuted as an enemy to society, and during the whole period of suspension of specie pay-

* Replaces "or".

* Replaces "money".

* Inserted.

ments, not an instance occurred in this City of a suit being brought before a court of Justice. A friend of mine in New York was however bold enough to attempt it towards the close of the scene. He brought action against all the Banks—he was denounced, but being a man of fortune and principle, he persevered. The effects of his single exertions were soon visible. The Banks became alarmed, and began to call in their loans—the local currency of New York became 5 per cent better than it was—millions of dollars worth of goods ordered from Europe, were countermanded and a gradual restoration of the currency was persevered in.

During the last session of our Legislature, applications were made for the renewal of the Charters of some of our State banks. In the hopes of shedding some light on the principles of banking, I moved for the appointment of a committee to enquire into the expediency of granting the request. I prepared a report, (as Chairman of the committee) which was presented to the Senate, and introduced into it, a recommendation of certain restrictions, which I think will be adopted in our future charters. I take the liberty of sending you a copy of the report, and shall be highly gratified if you find it to contain principles supported by what you regard as the best authority.

With great respect

I have the honour to be Sir

Your most obt. Servt.

Condy Raguet

David Ricardo Esq.

C.

- | | |
|---------------------------|-------------------|
| i. James Mill to Ricardo | December 20, 1820 |
| ii. James Mill to Ricardo | August 8, 1823 |

An important requirement in the study of Ricardo's life and work—literary evidence of his long and close intimacy with James Mill—is inadequately met by the following two letters of James Mill included in the Ricardo MSS. Other letters of James Mill are in the possession of the editors of the definitive edition of Ricardo's writings, to be issued presently by the Royal Economic Society.

i.

East India House, 28th Dec. 1820

My Dear Sir

I saw Brougham on Sunday morning who entrusted me with a commission to you; as it was a thing which he thought that, situated as he was, it was better that he should not write about. It seems that certain propositions have been made to you about the means of increasing your securities in regard to money which you have lent to a certain Irish lord; & if I understand right about enlarging the loan. However, that is not what I have to write about. That is as follows—a proposition will be made to you, to add immediately three years certain to the two which still remain unexpired of the duration of your seat; for this, however, £3000, (or perhaps guineas) will be asked of you immediately. The 1000 £ or guineas, was the rate per annum before. This, therefore, is a demand of the interest upon £3000 for two years in addition.

I have had a week of the gout in both my feet. The pain has not been much; but it has lamed me, & this is the first day I have been at this House since Wednesday se'ennight. I was able, even now, to walk but a little part of the way.

During my confinement at home I have been making great progress with my School Book of Political Economy. In fact I have got over all the knotty points; & as I think, clearly; so that any body will understand them. Every thing, too, has come within a narrow compass, except money. So many

different circumstances had to be noticed, on that subject, that it has been tedious to me in the writing; & occupies a considerable space. Of the whole subject, I have not much to consider, except the topic of *consumption* including the doctrine of taxes. I wish it may appear to you calculated to teach the science, easily & effectually. In that case I shall conclude that I have done a good service; as diffusion of knowledge is now the work of greatest importance.

There is to be in the next No. of the Edin. Rev. a sort of official manifesto of the Whigs on the subject of parliamentary reform; Brougham so named it, when he told me of it on Sunday. It is from the Mackintoshian pen. You may therefore conceive what sort of a thing it will be. Brougham says the Whigs are too timid to do any thing that will be of any service, either to themselves or to the country.

They are always willing however to join in that cry of irreligion & sedition in the minds of the people, which they think the expedient best calculated for deterring a certain class of men from having recourse to the means of good government; & preserving to the aristocracy the power of doing what they please: that is carrying on an organized system of pillage upon the great body of the people; & as a necessary means to that end, preserving them in a state of as much ignorance, misery & vice, as they possibly can.

I am amused with [the]¹ old-womanish imbecillity of the Whig addresses. They wish the people, if possible, to clamour for a change of ministers. If we keep the present ministers, they say, we shall have nothing but mischief & misery; they will go on misgoverning as they have misgoverned; & they will either excite the people to rebellion & all the horrors of civil war, or they will land us in despotism. On the other hand, if we can turn them out, & have a new ministry, we shall have every[thing]¹ as we could wish; we shall have delightful measures of government, & the utmost prosperity to the people. What is this, but saying, what

¹ Inserted.

they call other people radicals for saying, that the parliament is good for nothing; that it is ready to do mischief in the hands of a bad minister, & does good only when it gets a minister to make it? That is to say, the parliament is a base, wicked tool, in the hands of ministers. This is the language of the addresses! This is the whig language for their own purposes! This they are very willing to applaud the government for sending Wooler & others to jail for printing.

Mean, dirty set!

I beg to present my best regards to M^{rs}. Ricardo & the young ladies, whom I long to see

Ever truly yours

J. Mill

ii.

East India House, 8th. August 1823.

My Dear Friend

It was set down in my mind's calendar to write to you this very day, & forestall your letter. I remained at Dorking till Wednesday morning, & deferred writing till I should get to town, & be more able to speak with precision about my Gatcomb movements.

I must first tell you, that I have been at work, &, I think, to good purpose, at Dorking. Last year I did something considerable towards the exposition of all the phenomena classed under the title of *Thought*. I have pursued the subject, during the last few weeks; & all the phenomena called intellectual, (still leaving the moral) have undergone investigation. You know my opinion was, that they might all be expounded upon the principles of Hartley, & might be satisfactorily shown to be nothing but sensation, & the ideas, the copies of those sensations, combined in groups by association. I think I have now made this satisfactory exposition; that I have not left one point doubtful, or likely to be disputed but by these who lie under the dominion of previous

associations, & are [not]² capable of the degree of attention which is necessary to break their fetters. After explaining, in an elementary manner, the phenomena of sensation, & the representations of sensations, the ideas, & also the laws of association, [& the artifice of naming,]² I proceed to apply these elements, & examine how far they go in accounting for all the complicated phenomena, included under the titles, Imagination, Memory, Belief, Judgement, Ratiocination, Abstraction & so on. No body has seen the papers but John, whose mind however is perfectly ripe to judge of them; & to him the expositions appear to be easy of comprehension; & perfectly satisfactory. I doubt not that they will appear equally so to you. I confess that the evidence has turned out to be shorter, more simple, & conclusive, by far than I had dared to anticipate. I should like to have your opinion of it; & if I can get it copied, so that you would be able to read it, I will send it to you. The whole is within a very narrow compass; & it will need to be a good deal dilated, & made familiar by illustrations, in writing it afresh for the public. In its present shape, the analysis is given in the naked state in which it presented itself to me, as I advanced step by step. I mean to go on, next, to the exposition of the *Will*, & the different phenomena commonly classed under it, the desires, passions, &c., called the "Active Powers of the Mind," by the Scotch and other philosophers. This will be easy; & when this is done, the whole of what we call mind will be explained. I shall then look upon myself as having rendered no small service to the cause of light. I got so full of [my subject],² that I could not tear myself away from Dorking. There was, however, another reason. For as it is necessary that McCulloch & I should so arrange our matters, that one of us shall always be here; & [as]² business came on which rendered it impossible for him to go away at the time which had been originally settled between him & me, that so (*sic*) I might have the half of my holidays now, &

² Inserted.

² Replaces "this".

the other half to go to Gatcomb with, the latter half of September; I lost nothing by staying at Dorking; for now the time of my getting to Gatcomb will be necessarily postponed for some weeks beyond the time when I hoped I could be with you, & as [my stay]⁴ will also be shortened I shall make my run down [alone]⁵ to you by my single self. I shall have an ostensible week for you, which I shall make all but true; for I can come off by the night coach on a Wednesday evening; & I can be with you till the evening of the next Tuesday week. I regret that I shall not see your country in all its beauty; but I come to enjoy yourselves, my own dear friends; & I shall be happy in spite of all the rest. My wife prays me to say every thing to M^r. Ricardo expressive of the sense of her kindness, in her wishes to see her & girls. With respect to her, however, she hardly proposes to wean her little one so soon; & would not be easy at leaving her in the hands of those she has at Dorking. We must look forward to a future time. I beg my own kind regards, & all my gratitude to M^r. Ricardo. A propos of gratitude, tell her that the turtle came in admirable order, & was a high treat to some friends we had with us from London, who celebrated the match in a bumper. Tell the young ladies not to forget me, nor to let absence deprive me of one jot of their affections; for I cannot consent to lose an atom. Mine, they may be assured, will stand the trial of time.

I am happy to hear that you have been employed upon your proposed Tract; & have no doubt of your proving the merits of your plan. Poor Malthus, & his measure of value! I am more & more satisfied that your account of the matter, which both McCulloch & myself have adopted, is the true exposition; & that it wants nothing but to be somewhat better expressed than any of us has yet done it, to satisfy every body, except Malthus & Torrens. McCulloch gave me hopes that he would write an article Value in the Suppl. on purpose. He also told me that you were to reconsider the subject with your

⁴ Replaces "it".

⁵ Deleted.

pen in your hand. Why should you despair of putting what you conceive clearly down upon paper clearly? Why despair of doing any thing? Where is that able pen you talk of? I shall try mine upon the subject one of these days. Some one of us three must do it—or it will not be done. Let us all try, & we can adopt the best.

I have been reading the correspondence of Voltaire & D'Alembert, the two last volumes, in the large collection of Voltaire's works. I think it would interest you much. It contains some of the most interesting points of the history of literature at that time in France; one of the most interesting of all the portions of that history—also much information on the state of the human mind, & the instruments by which it was worked upon both for good and for evil—in short I recommend it strongly to your perusal. You will be much entertained, & somewhat edified, by running over a good deal of the works of Voltaire. For elegance & wit, they are almost always delightful; & frequently admirable in tendency.

Whatever you do, let the consideration of the grand cause be always uppermost. The real principles of good government have you alone, among public men, who thoroughly understand them. You alone therefore can be their real champion.

Ever yours

J. Mill

D.

J. L. Mallet to Ricardo

February 24, 1823

In his fine editorial service as historian of the Political Economy Club ("Minutes of Proceedings, 1899-1920", vol. vi, London, 1921) Mr. Henry Higgs has given John Lewis Mallet proper setting in the Ricardo coterie and made available, in the publication of generous sections of Mallet's "Diaries", a mass of illuminating material. In a memoir-like entry of 1823, soon after Ricardo's death, Mallet describes the occasion of their first acquaintance in the early part of 1817—a public meeting to effect the establishment of a Savings Bank in the city of London. "Since that time," Mallet noted (p. 211) "I have always kept up a friendly intercourse with Mr. Ricardo." It is interesting that the following letter of Mallet's to Ricardo, included in the Ricardo MSS., should be devoted to the same subject that first brought the two men in contact.

Upper Gower Street
24 Feb. 1823.

My dear Sir,

Mr. Hume has given notice of a motion relative to Savings Banks, which has excited the attention of some of the principal Managers of these Institutions in London, & given them some anxiety. In the first place, we think that a habit of regulation, & of frequent Legislative interference is [very] ¹ unfavorable to the experiment we are trying.

So far as could be collected from Newspaper Reports, Mr Hume's observations related to the rate of interest granted by Government to depositors in Savings Banks, which he seemed to think unreasonable & wasteful. But I did not understand whether the observations were intended to apply to the rate of interest originally granted, or whether Mr. Hume thought that the circumstances of the Country, or the state of the Banks, called for a reduction of the rate of interest.

On the first supposition, I should beg here to observe, that altho' the rate of interest originally granted & now enjoyed by the Banks [£4.12 per cent] ² was beneficial as compared

¹ Deleted.² Inserted.

with the rate of interest on other public securities, it was not materially so; the 5 per cent being then (June 1817) at 104¾ or 105 [the 3 per cent consol. 74].³ Then there are comparatively speaking, a few cases only in which the depositors receive the whole amount of the interest granted by Government; the expenses of management of the Banks being generally [deducted from] the allowance of interest. The depositors in [two of the]³ largest Banks in London, receive a rate of interest, not exceeding £3.17 per annum, which is in fact less than the interest they could have received had they invested their money in 3 per cent consol. If it be asked why so large a deduction is held, & why Government should bear this expence, the answer is that it is incidental to the proper management and security of such establishments in large towns; and particularly London. It is of the greatest importance that the persons who conduct these institutions should be men of the greatest respectability & at the same time, men of business. I speak from long experience when I say that it is extremely difficult to find Persons of this description [who can give up any part of their time]⁴ and that those with whom I am acquainted, & who attend to the Saving Banks in the city & in Southampton Row, are considerable Merchants, or men engaged in active professional pursuits. Nor, when it is considered, that [from]⁵ the year 1817 to the year 1822, 6472 accounts were opened at the Bank in Southampton Row; which accounts must be kept with [the]⁴ greatest regularity, checked with the Depositors Book, the interest compounded, the payments entered; when it is further considered that notices of every repayment are to be given at least a week previously to the receipt of the Money; that these notices are all entered & contain the particulars of the name and situation of the Depositor, his place of residence, the amount of his deposit; and that they are to be compared with the original entries of the Depositor, the signature of the depositor, & the Ledgers—it may easily be conceived, that independently of the

³ Replaces "the three".⁴ Inserted.⁵ Replaces "in".

Labor of the Cash transactions of the Bank, which partly * occupy 2 or 3 Managers and four Clerks, twice in the week, the business of such an Establishment cannot be conducted without efficient & regular existence; other than can be expected from the Managers themselves. But this is not all. The actuary & Clerks are necessarily entrusted to a considerable extent with the custody of Money; and do therefore require securities; their salaries are therefore necessarily higher. Again, [cabinets and loose Prints] † are required; both with reference to the great number of Persons who attend the Bank, & the number of [Ledgers & Books] * in constant use, & the propriety of decent accommodation for the Managers. Under all these circumstances, a large deduction from the rate of interest granted by government seems unavoidable.

On the second supposition—namely that the circumstances of the country or of the Banks, or both, are so far altered, as to require a reconsideration of the rates of interest, I should say that the present state of public securities, affords no grounds for any change in this respect. The price of 3 per cent is the same as it was when the 57 Geo. 3^d. ch. 130 was passed; & in proof of the greater advantage derived from investments in Stock, I should mention that a great number of the larger depositors in Savings Banks in London, have lately withdrawn their deposits, to place them in the funds. Our repayments for several weeks have exceeded by several hundred Pounds [every week] * the amount of our receipts. With regard to the large accumulation of deposits in Savings Banks, amounting to several Millions; and the idea generally entertained that a portion of these deposits are received from an improper description of Persons, I beg here to observe with reference to my friend's remarks, that Depositors do not at present desire, and are not likely to derive any advantage from depositing their Money in Savings Banks instead of

* Perhaps, "prbly" ("probably").
 † Reading uncertain.

* Replaces "Books".
 † Inserted.

purchasing stock; & that this is not therefore, a proper time for proposing any alteration in the rate of interest granted by Government. The sacrifice made by Government has been inconsiderable; particularly with reference to the great importance of the experiment now going on, and to the excellent effects which have already resulted from the establishment of these Institutions. I think I may safely refer to the enclosed Report in support of this opinion.

Upon the whole I cannot but conceive that the agitation of the question as to Government keeping the terms upon which the Banks have been established, cannot but be productive of harm; and that any alteration in those terms would greatly check the progress of these useful Institutions, shake confidence and embarrass & discourage to a very great degree, the Persons who have devoted to them so much of their time and attention.

Convinced as I am that Mr. Hume has no other object than the Public good in view, I trust that if you will have the goodness to communicate these observations to him, he will not be unmindful of the circumstances to which I have taken the liberty of requesting your attention.

Believe me, my dear sir,

Yours very faithfully,

J. L. Mallet

E.

Joseph Pinsent to Ricardo

March 30, 1822

Joseph Pinsent, the author of "Conversations on Political Economy" (London, 1821) had the year before dissented from Ricardo's speech on Gooch's motion for the appointment of a committee on 'the distressed state of the agriculture of the United Kingdom' (Hansard, vol. iv. N. S., 1147)—in a pamphlet, "Letters to the Chairman of the Committee—on the Agricultural Distresses—and to David Ricardo, Esq., M. P., in answer to his Speech of the 7th of March, 1821; designed to demonstrate the Errors of the Theory which that Gentleman advocates". London, 1821. Cf. "Letters to McCulloch," pp. 97-103.

22 Birchen Lane

30th. March 1822

David Ricardo Esq. M.P.

Sir:-

Mr. Western having kindly informed me that you would any Morning at about 11 o'clock be at home to me, I beg permission to say that on some day next week, or when you may please to appoint, I will do myself the pleasure of waiting on you, and as the object of our Meeting I presume, is to serve our country & the world by the elucidation of, or [by the] ¹ confirmation of [disputed] ² truths, I will in order to bring the subjects of discussion as plain as possible before your view, endeavour to explain in what & where the systems we advocate, in their general tendency differ & agree.

First, then, If I understand yours rightly, it is founded on that general principle of permitting genius, talent, capital & industry to find [their] ³ uncontroled their own elevation, level & exchange, or in other words to allow Commerce to have the freedom of air; & that you go further by saying that if your system were adopted, we should then become a nation of Manufacturers & buy our Corn cheaper from Foreigners than we can grow it ourselves.

In your universal system, if applied to a world governed

¹ Inserted.² Replaces "doubtful".³ Deleted.

by one government & the expence of which were equally divided according to the value of property, so far I should perfectly agree with you, & I contend that all Legislative enactments, should go to keep the several nations of the world in their present artificial state as much as possible in accordance with your system; this would so poise, apportion & regulate the supply of labour with the demand, that there could not be too much in one quarter, without a proportionate deficiency in some other.

Having agreed in the universal principle, it must be in the application of the measures, for assimilating the artificial to the universal system, that our opinions will clash if they do at all. As I contend that [the industry] * of the world should be protected from Foreign competition, according to the value of its respective contribution to its respective state & subject to this that Commerce have the freedom of air; that such contribution should be valued according to what an interest pays in tithes, taxes & poor rates, contributes to save from a charge on the poor rates, & increases the national wealth & political power directly & indirectly to the state.

This scale of protection, as England has ten times the Debt to pay that many Foreign Nations have, it would give her ten times the protection for her industry, & others in proportion, but while our debts remain, an unprotected Commerce would be the means of transferring our capital, our industry & our population to countries less taxed, & more favored by nature, as our Capital unlike our burthens, have no Nationality, for at present in the absence of a due protecting system, not a shilling can be invested in British industry, that will return 5 p. c. profit on its capital; the consequence is, that our capital is fast leaving the country, & unless a change of measures soon takes place, I expect our Gold currency will soon disappear, & our Paupers & White Boys take possession of the soil & dissolve all social order.

Now independent of the liability to starvation, & that such

* Replaces " Commerce ".

a state [or] * community never did, nor never can exist, as a manufacturing nation without the assistance of Native Agriculture, I will show the impossibility of a Nation weighed down by taxation like ours, [to exist without Native Agriculture] * by [proving that] * nearly every article that the world produces, being now to be bought in our markets, at less than first cost price, & all this has been paid for by our Manufactures, still not more than from $\frac{1}{4}$ to $\frac{1}{2}$ of our population have been so engaged & these comparative few are [capable] * of manufacturing 100 millions more [p. annum] * than we now do, & they would do it, could we consume the return payments. Now were we all Manufacturers we should be able to manufacture from 3 to 500 millions [sterling] * more than we now do, at the same time we should only be able to consume the same quantity of return payments that we now do, for if it were possible to receive Gold & Silver as a balance, it would import in six months all that was ever known to be [at one time] * in circulation, and as our Manufacturers would not be allowed to invest their property in Land, & Gold & Silver being of no value longer than it can be used or put in circulation, it would become so plentiful as to be of no more value than the stones in the streets, & destroy that stimulus to exertion for its acquirement that it now creates; the fact is, that a nation of manufacturers can only give profitable employment to one half the number of its members, that the same community consisting of half Manufacturers & half Agriculturists would do, as we cannot carry Commerce in Exports beyond the consumption of their return payments, & there would be as many stomachs to feed & as many backs to clothe in the one case as the other. The want of rightly considering this circumstance is the principal cause of the difference between your system & mine. I therefore

* Replaces "of".

* Replaces " & possessing a climate & soil in which Corn is not indigenous & surrounded by countries equally".

* Inserted.

* Replaces "capabilities".

beg leave to call your particular attention to this particular circumstance, as founded on this principle. I conceive that if we were an entire manufacturing nation, the new state of things would be thus: that all the poor and Manufacturers labour now paid by the Landed interest thro' the poor rates, & all their tithes, taxes, & other poor rates, directly & indirectly paid by the Landed interest [would]* amounting to from 50 to 60 millions p. annum would be placed on the shoulders of the manufacturing interests; add to which at least 10 millions of the Agricultural interests [& those depending thereon]¹⁹ deprived of profitable employment, by the transfer of their customs to the Foreign Agriculturists, amounting to about 150 millions p. annum, would also be placed on their (the manufacturers) shoulders; and as this arrangement would lessen the consumption & demand for production, the consequences of which would, added to the former sums amount to about 250 millions p. annum more than the Manufacturing interest now pays; this would increase five fold the present cost of manufactures, & thereby render the dealing with Foreigners impossible, unless he were permitted to charge for his Corn five times his present price.

I hope by this time you are convinced of the impossibility of a Manufacturing community existing without an Agricultural Community, & as a further proof of which [there is]²⁰ not a man employed in our Manufactures, whose descent may not be traced to the Agricultural classes [this shows that Agriculture is the root of Manufactures on which it depends].²⁰

I also contend that all Commerce should be founded on mutual wants & reciprocity of benefits, [but]²⁰ that we cannot want what we have already got, nor can there be any reciprocity of benefits, where one party deprives his own people of profitable employment in order to deal with the other, [and that all Mr. West.]* Finance systems should be founded on self creating & self supporting principles.

* Deleted.

²⁰ Inserted.

M^r. Western perhaps will have the kindness to lend you the perusal of my Letter in the Morning Post [to Mr. Vansittart]¹¹ of the 26 inst.; this with my Letters in your possession together with my Pamphlet will bring you acquainted with all particulars of my system; in the [mean]¹² time I should feel great pleasure in answering your doubts on the tenableness of my positions.

I remain

Your very ob^t. hum. ser^t.

Joseph Pinsent

N. B. Silver is now in our Market (after having cost 10 p. c. to bring it here) 5 p. c. cheaper than in Peru or Mexico; this shows that we already have more than we can use or circulate.

F.

- | | |
|-------------------------------|-----------------|
| i. Hutches Trower to Ricardo | July 20, 1823 |
| ii. Hutches Trower to Ricardo | August 26, 1823 |

The following letters of Hutches Trower to Ricardo fit into the published volume of Ricardo's part of the correspondence—the first being answered by Ricardo's letter of July 24, 1823; the second, forthwith, by his letter of August 31, 1823. A week later Anthony Austin, a son-in-law, apprized Trower of Ricardo's serious illness and, a few days thereafter, of his death.

i.

Unsted Wood, July 20, 1823

My Dear Ricardo

It is a trite saying but a true one, that "hope deferred sickens the heart." And I have been hoping, for a long time past, week after week, & day after day that I shall have the pleasure of hearing from *you*. My last letter was written to you, as far back as the month of May last, &, in our ordinary course of correspondence, the month of [May or]¹ June

¹¹ Inserted.

¹² Deleted.

would not have grown old before my eyes had been gladdened by the sight of your hand writing. But, alas! a *whole season* has passed away since I have had the pleasure of hearing from you; for your last letter is dated *24 April!!!*

I know, that your constant & close attention to your parliamentary duties, leaves you but little leisure during the sessions; but of that [a]¹ little I have hitherto enjoyed a portion, & cannot rest content in the loss of my accustomed privilege. As however the sessions are now closed, & you are the master of your time again, [I trust]² that you will make amends for your long silence, & write off your arrears.

In looking back upon the proceedings of Parliament, during the last sessions, I think it impossible not to feel gratified, upon the whole, of the course of their proceedings.

It is obvious that a more enlightened spirit, a spirit better suited to the temper of the times, has influenced their decisions, than has been evident on former occasions. Ireland has claimed a large share of your attention, and distressing as the state of that unhappy country is, & incapable of receiving any immediate amendment, yet, it is obvious, that the measures adopted by parliament with regard to Ireland, must eventually produce considerable benefit; the seeds of a more enlightened & just policy have been sown, & must, in due course of time, produce their proper fruits.

A similar spirit has dictated the measures adopted with regard to the commercial & domestick affairs of this Country. A new course of proceeding has been marked out; much has been done, still more has been promised; & the spirit in which this promise has been made, affords a sufficient security for its future performance.

The absurd & mischievous shackles with which commerce has been so long fettered, have in many instances been broken, & in spite of remaining prejudices must ere long be entirely removed. Many sanguinary & unjust laws, which have long stained our statute book, have been blotted out, & a sincere

¹ Deleted.

² Inserted.

determination has been evinced to improve our criminal code. Other important measures have been under the consideration of the legislature; & members of parliament, may, I think, return to their constituents, with a conscientious pride, that they have been administering to the happiness & prosperity of their Country.

In the meantime the actual prosperity of the Country has been making rapid strides, & upon the whole, I think it is not too much to assert, that we have weathered all our difficulties; & that nothing but a continuance of peace, & common sense in our rulers, are necessary to insure the continued prosperity of the Country.

I do not expect any considerable variation in the prices of corn; my hope is they will remain where they now are. These prices are adequate to remunerate the cultivation of all such land as ought to remain in cultivation. The ensuing crop cannot be large; if the weather is favorable it will not be deficient.

I want to know what you think of Malthus' Measure of Value. M^{rs}. Trower desires to join with me in kind remembrances to M^{rs}. Ricardo & family & I remain, My Dear Ricardo,

Yrs. very truly,

Hutches Trower

ii.^a

August 26, 1823

My Dear Ricardo

After your long silence your late dispatch was particularly acceptable. I well know how devoted your mind is, during the sessions of parliament, to publick affairs, & what little leisure these leave you for the ordinary pursuits of life. I rejoice to see you so useful a member of parliament; & that your activity intelligence & talents are so constantly employed for the publick good. There is no pursuit, in which

^a Last sheet used as cover and addressed "David Ricardo, Esq. Gatcomb Park, Minchinhampton".

the mind can be engaged, more honorable or interesting; none more gratifying; & those are fortunate, who enjoy the means & the qualifications, which it requires.

My attention has lately been drawn off, by a variety of circumstances from the subject of political economy. I have not therefore yet seen Mr. Tooke's later pamphlets; nor have I yet satisfied my mind on Malthus's last tract. This question of *measure of value* is a famous bone for economists to pick; nor do I see how the matter is likely to be settled. If every measure be faulty, then the only course to be followed is to adopt that which is *least* so, & this is no easy question to determine. As to the term *Value*, I confess it does appear to me, that there is but one sense in which it can with propriety be employed; & that is in *relation* to the object for which it is to be *exchanged*. It is used to signify how much of one thing is worth or can procure so much of another thing. The determining the *measure* of this exchangeable value is a more difficult matter. To my mind you have satisfactorily proved, that the *Cost* of commodities is that measure. But, then comes the question what is to be included under the term *cost*. The *cost* of a commodity, no doubt, includes those expenses, without which it cannot be produced. No commodity can be produced without *Labor*, & it is therefore said, that *labor* is the necessary cost, the universal measure of value. But, *labor itself* has its necessary *costs*, without which it cannot be produced, and these *costs* consist of a certain portion of the *necessaries of life*, & their portion is *constantly changing*. And, again, these *necessaries* cannot be obtained without *labor*, which is *their cost*. So that *labor* is the *cost of necessaries*, & *necessaries* are the *cost of labor*!

And here is the difficulty. How are you to determine between them? If the earth had not brought forth its fruits *spontaneously*, man could not have existed. Therefore *necessaries* had the *precedence* of labor; but, if man had not stretched out his hand to gather these fruits, had he not thus appropriated them to himself, by his *labor*, they would

have been of no avail. Still, however, it may, perhaps, be doubted whether in the strictest, *earliest*, & simplest sense, it may not with truth be stated, that labor is *not* an inevitable condition of the production of necessaries, *as their cost*; whereas it can never be said, that *necessaries* are not the inevitable condition of the production of *labor*, *as its cost*. Labor could not exist without necessaries. Necessaries may [& do] ⁴ exist without labor.

I will not pursue these reflections further; into which I have been led inadvertently. I rejoiced to find by your letter, that so many choice spirits are engaged in the investigation of those interesting enquiries, & cannot doubt, that the result will prove satisfactory to the cause of science & of truth.

I grieve at the continuance of this rainy weather. If it last much longer its effects will be very mischievous & disappoint the sanguine expectations I had entertained of the gradual & steady improvement of agricultural affairs. But, in all these matters, which do not depend upon ourselves, my maxim is, that "*whatever is, is right*."

The Spanish struggle is nearly over; & I rejoice in thinking that [it] ⁴ is. The grand object, to which I admit no other to be equal, is the *preservation of the peace of Europe*. And *this* the course [which] ⁵ courts has (*sic*) taken, is likely [to] ⁴ strengthen. Besides, the new Spanish constitution is detestable; the people divided, & not yet ripe for the measures, the reformists are desirous of adopting. What do you think of the prospects of the holders of Spanish Stock? Have you still got yours? I have mine.

How is the harvest in your neighborhood? I am glad you were upon the Irish Committee. The interests of that Country are the most important subject, that can engage the attention of parliament. I still think, as I have long thought, that the most important measure would be to devise some means of preventing the subdivision of land into small tenements. How far consistently with the rights of private

⁴ Inserted.

⁵ Replaces "of."

property, such an arrangement could be accomplished is, I am aware, a difficult question. But, the object in view is of great moment, & could justify a strong measure. Whether the imposition of any tax upon the proprietor of lands so leased, or the holding out of an encouragement to those who took farms beyond a certain quantity of land; or in what other way the object might be accomplished, I am not prepared to say; & am most ready, besides, to acknowledge the mischiefs of proceeding upon erroneous principles for the purpose of obtaining some supposed temporary advantage. I regret exceedingly that we are so far apart; & that difficulties of time & space are thus opposed in the way of our meeting. I feel a great desire to become acquainted with your residence & to take a peep at the beautiful country that surrounds you. Besides, although letters are a most delightful resource to those who are necessarily separated by circumstances, yet this very intercourse begets the desire of a more easy & intimate exchange of sentiments, in which subjects & [opinions]⁶ which can be merely touched upon in letters may be pursued without limit, & expressed without reserve.

[My Dear]⁷ Ricardo, pray remember M^{rs}. Trower & myself, very kindly to M^{rs}. Ricardo & your family, and believe me,

Yours very sincerely,

Hutches Trower

G.

Ricardo to McCulloch

[August 21, 1823]

The following is a corrected draft of a portion of Ricardo's letter to McCulloch of August 21, 1823—the full text of which, as actually sent, has heretofore been printed ("Letters to McCulloch", pp. 175-176). The fragment is of interest as indicating the care with which Ricardo conducted his part of the correspondence.

⁶ Replaces "sentiments".

⁷ Replaces "Dear".

you say [you can discover no fallacy] ¹ if it requires a capital of £1000 to set the muscles of the mason in motion who builds me a house, and [if] ² it [will require] ¹ also requires £1000 to set fermentation purification & all the other processes in motion which produce me a cask of wine is it not plain that both the house and the wine cost the same quantity of labour if they are produced in the same time? and is it not also [plain] ³ that if it requires different times to produce them, it can only be because different quantities of labour are wrought up in them? In this passage you assume [two things] ¹ that these equal quantities of capital now worth £1000 each, will always be equal [to each other] ² & will always command the same quantity of labour, but nothing is more probable [than] ² that one shall become more valuable than the other, [& therefore that] ¹ it may become so in various ways. It would be more valuable than the other if while [it] ⁴ commanded the same quantity of labour as before the other commanded less, or if they both commanded less, but the other a great deal less—or it might command more labour while the other commanded the same quantity—or both might command more but their power of doing so might increase unequally. You must define then what you mean by equal capitals, for the means of ascertaining their equality or variation of value is the very thing in dispute. If the value of the capitals depended upon the labour expended on them there would be little difficulty in the question, but this is denied, and I think with success.

You say in both cases you employ certain capital, that is certain quantities of labour to produce certain effects." (*sic*) Here you speak of capital & labour as the same thing, & it is this part of your proposition which requires explanation.

¹ Deleted.
² Inserted.

³ Replaces "certain".
⁴ Replaces "the other".

XIX.
VARIA

A.

Several interesting items in the Ricardo MSS. may be described collectively as the economist's 'Commonplace Books.' They consist of (a) a "copy-book," of forty folios with mottled stiff paper covers and blank label on outside cover. Twelve folios are filled—the remainder blank—with excerpts, exclusively, from Garnier's "Memoires" (*supra*, p. 119), Humboldt's "New Spain," and Mackenzie's "Voyage" (final entry); (b) an unbound "filler," of forty-eight folios, unruled and unnumbered, of which forty are taken up with excerpts from various texts; (c) a fragment of a small memorandum book (gilt edges, mottled paper cover) similarly filled; (d) jottings on single sheets, blank sides of letters and mere scraps of paper. To the above might be added, various newspaper clippings.

Mallet has observed as "very extraordinary that amid the cares of so busy a life, Mr. Ricardo should have been able to attend to any liberal pursuits" ("Political Economy Club," p. 206). To his contemporaries Ricardo's education seemed of "a very commonplace kind" (*ibid.*, p. 206). That equipment which is "indispensable for a man who lives in good society, and more particularly in the society of well-informed persons" (*ibid.*, p. 206)—had been self acquired. He spoke readily and wrote clearly—the conventional estimate to the contrary notwithstanding. But in a day when statesmen still retained something of the grand manner in sonorous phrasing and classical allusion, Ricardo attracted a coterie and gained a hearing in the House of Commons by "his talents, the clearness of his understanding, his perfect honesty, and his perspicuous and agreeable delivery" (*ibid.*, p. 208).

The books which Ricardo appears to have read fit into this setting. They fall into three groups. Of the first were those that bore directly upon his major interest—Adam Smith, Malthus, the *Edinburgh Review*, J. B. Say, Sismondi, Garnier, Locke, Sir James Steuart, Lauderdale, and the Bullion Report controversialists. In the second group are books associated with his parliamentary career and the other than strictly economic interests—freedom of speech, religious toleration, political reform—with which he was there identified: the earlier volumes of Hansard, Montesquieu, Burke, Hume, De Lolme, Miller, Mackintosh, Hallam, and Bishop Watson. Finally were the books which he read because of intimacy with the authors—James Mill's 'British India', Bentham 'On Colonies'—or from sheer inclination—largely in the direction of books of travel: James, 'Journal of a Tour', Hall, 'Travels in Canada', Humboldt's 'New Spain', Mackenzie's 'Voyage'.

"I believe that in this sweet place I shall not sigh after the Stock Exchange and its enjoyments" ("Letters to Malthus", p. 37)—Ricardo wrote to Malthus soon after the acquisition of Gatecomb Park. There in "the calm of the country—amidst groves, and fields" ("Letters to Trower", p. 45), it is pleasant to picture the man of affairs and severe thinker pacing in at least the outer reaches of Parnassus.

B.

In an unidentified hand. Ricardo retained the original figures in the Second Edition (1819); in the Third Edition (1821), the whole passage was changed and the figures omitted (Cf. *Quarterly Journal of Economics*, August 1904, pp. 33-34).

Pol. Econ^y. 1st. edit. p. 32 & 33

When wages rise 6 p^r c^t profits will not fall from 10 p^r c^t to 4 p^r c^t, but to [4 p^r £10 6]¹

To replace the circulating capital of the hunter will require £55—not £55.12

To replace the circulating capital of the fisherman will require £165—not £165.360

In the former case £5, in the latter £15, are the sums applicable to profits & wages. If wages rise a larger proportion [of these]² goes to wages & less to profits, but the value of the whole produce cannot exceed £55 & £165.

C.

A fragment (on a folded frayed folio sheet), in Ricardo's hand, of an extended critique or summary on Corn Law matters. In upper right-hand corner is "20" (evidently, pagination); in upper left corner, perhaps, a penciled "10".

7 That the [grain]³ now in the Kings warehouses be taken out for home consumption as soon as the price of wheat shall rise to 70/- p^r. quarter.

8 That all grain that may be imported & warehoused under the King's lock between the present time and the time of the price of wheat rising [to]⁴ 70/- p^r. quarter be also taken out for home consumption as soon as the price of wheat shall rise to 70/- p^r. quarter.

¹ Apparently means £4 10s. 6d. per £100.

² Deleted.

³ Replaces "wheat".

⁴ Replaces "the".

D.

A juvenile note from John Stuart Mill (ætat. 17); undated and unsigned; reverse used as cover ("David Ricardo Esq. M.P., Gatcomb Park, Minchinhampton, Gloucestershire"); with seal ("J.S. M."); franked post-mark ("Aug. 8, 1823").

I must say a word about the poor fishes. I think the error was in not making the pond for the gold & silver [] higher up than all the rest. For the spawn of these [] fish is so very small that it will make its way through almost any thing through which water will go. The stronger fish, which will be sure to devour the spawn of the weaker, will prevent the favourites from multiplying, I should fear, though they may not consume the grown ones, they will devour the young of one another. What sport for Mr. Samuda! How happy!

E.

Note on A. W. Rutherford, "Hints from Holland; or Gold Bullion, as dear in Dutch Currency as in Bank-Notes, in a Letter to Two Merchants" (London, 1811). The "table" referred to is on pp. 26-27.

It appears by this table that in 1797 the price of gold was in England £3.17.6—in 1810 it was £4.8, a rise of 16 pc^t.; what was the rise during the same period in Holland? Mr. Rutherford tells us that a marc of gold in 1797 sold in Holland for f. 399.7.8 and in 1810 for f. 406.9.8 a rise of 1½ pc^t. How then can it be asserted that the rise in Holland [in dutch currency]¹ has been equal to the rise in England in English currency. During this whole [interval]² the price of gold in Holland was never more than 6 5/8 pc^t. higher than in 1797.

¹ Inserted.

² Replaces "period".

F.

On a single sheet, in Ricardo's hand. Probably an *aide memoire* extracted from some unidentified book of reference.

REGULATIONS OF THE AMERICAN MONEY.

No seignorage is allowed, but if mutually agreed between the person [carrying] ¹ bullion to be coined & the directors of the mint, 1/2 pct. shall be allowed for the immediate exchange of coin for bullion.

Gold & silver Coins both legal tender if of full weight, & if not of full weight to be a legal tender only according to its weight.

An Eagle is a gold coin of the value of 10 dollars.

It shall consist of 247 $\frac{4}{8}$ of pure or 270 grains of standard gold.

Dollars

371 $\frac{4}{16}$ grains of pure or 416 grains of standard silver.

15 parts of pure silver equal to one of pure gold.

Standard of gold	Standard of Silver
11 part pure	1.485 pure
1- alloy	179- alloy

G.

Ricardo has here jotted down—on the reverse of a tradesman's letter—the current objections to his plan of National Debt payment.

NATIONAL DEBT

The objections against paying off the National Debt may be ranged as follows:

By taxing capital to the amount of 20 or 25 pct. which would be necessary for that purpose you would throw the whole burden of the debt upon Capital whereas by the present mode of paying the interest on the debt much of the charge

¹ Replaces "bringing".

falls on income derived from professions, & [the display of skill]¹ in which no capital is employed.

2. The operation would be so immense that it would disturb the business of circulation by absorbing all the money in the country for that one object.

3. It would force so much capital to market as to depreciate its value & consequently very much to enhance the pressure on those who were called upon to redeem the debt.

4^{thly}. It would throw a great part of the capital of the country under the management of land agents, and attorneys.

5. If the interest of the debt be 31 millions and the operation of redeeming it be extended over a period of 5 years it will be necessary to take off taxes to the amount of 6 millions p^r. ann^m., & these taxes must be taken off simultaneously with the progressive redemption of the debt.

6	503-	3 pc-	360
	40-	3 pc	30
	75-	4 pc	63
	163-	5 pc	163
	<hr/>		<hr/>
	781		616

¹ Replaces "skill".

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