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Goddard, Samuel Aspinwall

Letters to the Edinburgh Chamber of Commerce...

London

1857

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# LETTERS

TO THE

EDINBURGH CHAMBER OF COMMERCE,

&c. &c.,

UPON THE

# MONETARY SYSTEM;

EMBRACING

## A REPLY

TO

THE PAMPHLET OF MR. GEORGE COMBE,

ON THE SAME SUBJECT.

BY

SAMUEL A. GODDARD.

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1857

TO THE

RIGHT HON. LORD VISCOUNT PALMERSTON,

FIRST LORD OF THE TREASURY, &c. &c. &c.

My Lord,

I have the honour to Dedicate the following Letters to your Lordship, and to subscribe myself,

Your Lordship's

Most obedient and very humble Servant,

SAMUEL A. GODDARD.

*Edgbaston, Warwickshire,*
*January 24th,* 1857.

# PREFACE.

The following Letters, although not all of recent date, are peculiarly applicable to the present time while the renewal of the Bank Charter is under consideration. I ask the reader who supports the existing monetary system, not to prejudge the opinions here advanced in the supposition that ultra notions are inculcated; but to carefully consider the arguments used, before condemning them.

This Pamphlet is my offering towards an improved monetary system, and my evidence to the Bank Committee. Should it prove useful, I shall be repaid. If not, I shall still claim credit for good intentions.

SAMUEL A. GODDARD.

*Edgbaston, Warwickshire*
*February 16th*, 1857.

# THE MONETARY SYSTEM.

## LETTER
## TO THE EDINBURGH CHAMBER OF COMMERCE.

GENTLEMEN,

I am desirous of recalling your attention to my reply to Mr. Combe's letters on the subject of your memorial to the Right Hon. Lord Palmerston, which appeared in the London *Morning Herald* of the 29th of last March. Events since that period have made the necessity of some alteration in the monetary system apparent, even to its most strenuous supporters, and as any plan that may be adopted will undoubtedly exercise great influence upon the material interests of the community during the whole remaining period of the present generation, the importance of its being in the right direction can hardly be over-estimated.

The main point in the discussion with Mr. Combe, and indeed the great point to be considered, is the question of the necessity of the Bank of England note, or other note that may form the basis of the bank-note circulation, being payable in gold at a fixed price; all other considerations in regard to the currency being of minor consequence.

It may be confidently stated that the medium of exchange between property and labour ought not to possess intrinsic value; that the monetary difficulties of England and America have arisen mainly from their legal tender money being composed of an article of merchandise; that the use of gold and silver *is an intervention of property*, and simply an improved form of barter; that commerce in its advanced state should not be conducted through the use of property as a medium of exchange; and finally, that paper money may be regulated so as to perform the necessary functions of money at all times, and also be maintained of much more equable value from year to year than gold and silver coin can be.

There is no objection to the use of gold and silver coin for small payments, but to make the monetary circulation dependent upon the quantity of bullion held in deposit by the issuers of the bank-note, whereby the energies of the whole people may be neutralised, and even prostrated, without any fault on their part or without any real necessity, is in the highest degree absurd.

The clauses in the Bank Act which require the Bank to purchase all the gold that may be offered for sale, on the one hand, and to supply all that may be demanded, on the other, and at prices fixed by law, are unquestionably at the bottom of the monetary difficulties; depreciating the value of money and occasioning speculation at some periods, and appreciating its value and causing panic and ruin at others. These clauses were introduced through the influence of great bullion dealers and money operators under the *pretence* of securing a supply of bank-notes and ensuring their safety and equability of value, but in *reality* for their own convenience. In respect to the ostensible objects of the clauses, they have either not been required or have been an utter failure.

Many better modes of ensuring a supply of bank-notes than that of compelling the Bank to buy gold may be found. That mode may, and often does, throw notes into the market when not wanted; originating, encouraging, and for a period sustaining speculation. In respect to safety, no one has demanded gold for increased safety. All draughts of gold from the Bank, besides the necessary coin for circulation, are made by bullionists and money-dealers for commercial speculations. No one doubts the safety of the £14,000,000 of notes issued upon government stock, while all know the Bank has not gold to redeem them. In respect to the third pretended object, viz., equability of value; the value of the pound, whether measured by interest or in articles of merchandise, has varied more since the act of 1819 came into operation than it had during any other period subsequent to the Bank Charter; consequently the provision has been utterly delusive and an unqualified failure.

Seeing then that the system, after a full and fair trial, is found to be so defective, its amendment becomes not a matter of choice but of necessity; notice, however, should have been given to the Bank a year since. More than a year ago I petitioned the Chancellor of the Exchequer to give the requisite notice. A copy of that petition is enclosed, and you will perceive that I have clearly shown therein that the system required revision, even in accordance with the doctrines of its supporters.

Monopolies in trade being abolished, and every man being at liberty to bring his labour to its best market, the grand requirement of the people is a medium of exchange that will, at all times and in all seasons, fully and freely effect the requisite interchanges between property and labour. To continue a Bank monopoly, or to make this indispensable



medium dependent upon circumstances having no relation to the requirements of the community, is the greatest imposition upon the doctrine of free trade.

Possessing accumulated property of incomputable value, and the power of producing through its labour and machinery to an almost unlimited extent, no bounds can be assigned to the prosperity and aggrandisement to which this nation might attain were the third element, one equally important with the others—viz. a medium of exchange between the two, established upon a perfect principle. Its importance may be seen by the fact, that, without any medium of exchange, labour would become extinct and property literally valueless. Consequently the degree of employment and prosperity now enjoyed, whatever it be, is mainly determined by the state of this medium of exchange.

In this community property is ever willing to employ labour, and labour to be employed. Were it not so—were this a nation of misers and drones, simply desirous of sustaining nature, of basking in the sun, alive only to brute sensualities, the case would be different. But here capitalists are anxious to embark their wealth in useful undertakings, and labour is ever seeking employment as its chiefest good, and, when set to work, performing wonders; levelling mountains, lifting valleys, seizing and directing heaven's lightning, and plunging into the bowels of the earth to pluck up riches by the locks.

This great people, under the present system, may be likened to heroes engaged in a Crimean warfare on a large scale—a battle of soldiers fighting in a false position, maintaining their ground, and even advancing in spite of circumstances, but capable of overcoming all difficulties, if properly directed. With millions of hands and mouths on the one side, and unlimited supplies on the other, every man, woman, and child is liable to perish through the want of means to bring the mouths and the supplies together. This is not a fiction, but a disgraceful reality.

While the laws require the payment of debts and taxes in legal money, there is no provision that ensures its supply, and the community may be left without any money. When gold is required for exportation, coin and bank-notes are withdrawn from circulation simultaneously; and the people might be left without money but for the fact, that the pressure upon them becomes so great, they make any sacrifice to induce the exportation of goods instead of gold. The hardship and iniquity of this system is terrible; it confiscates periodically the labour of the many for the benefit of the few. The abstraction from the Bank, during the last autumn, of 3,000,000 of sovereigns more would have carried distress into every hovel in the United Kingdom; and yet that was thought to be at one time, not only possible, but highly probable; while the loss of 3,000,000 of gold, or double the quantity, outright, thrown into the ocean, would not at any time, *per se*, be of material consequence to the nation.

The question which now demands attention is this—viz., *is this state of things a fixed necessity?* Who can reply in the affirmative? Or who will pretend that any system can be much worse than one which perils periodically the fortunes and the lives of the people, perchance the credit of the nation, and possibly even the continuance of our social system?

The requisite characteristics of a medium of exchange are safety, equability, and sufficiency. Failing in either of these, the system is imperfect. *In respect to safety*, ready means may be found for giving perfect security to the legal tender note. What, for instance, were it lawful, would hinder the government from purchasing the first £40,000,000 of gold that should arrive, paying for it in legal tender notes, and placing the gold in the hands of trustees to be held as security for the notes? This, then, would be one way of giving safety to notes so far as a mortgage on gold to a like amount, and the national obligation into the bargain, would give security.

*In respect to equability* of value, that can only be secured by limiting the quantity, such limit to be assimilated from time to time to the increased or decreased necessities, so far as possible, of the community at large. Making notes payable in gold simply insures to the holder that quantity of gold. This answers the purposes of the bullion-dealer and merchant, who send the gold abroad, because the value of gold does not change materially from time to time in the foreign markets. But in home transactions, in all the transactions in which the bulk of the members of the community are concerned, its value, whether in the shape of gold coin or represented by bank-notes, may vary greatly. Since the passing of the act in 1819, and within short periods, the price of the bag of cotton has varied from £6 to £24, and the price of the ton of iron has varied from £5 to £16; caused mainly by variations in money facilities at the respective periods. The value of the cotton and iron had not materially changed. It was mainly the value of money that had changed. Such fluctuations of price never could occur under a well-regulated money. The legislature has shown, by the act of 1844, that a limit may be placed upon a Bank-note circulation. That point is settled.

*In regard to sufficiency*, or more correctly speaking, the proper quantity, experience has shown about the amount of money required to give



general employment and a fair degree of prosperity. This characteristic, however, cannot be ensured, under any system that embraces the payment of gold at a fixed price as the final legal tender. It is quite impossible on the one hand to estimate the amount of gold that may be coined, if the Mint be kept open, and equally so to estimate the amount that may be withdrawn by hoarding and exportation. These three grand characteristics, however, being attained, labour would find constant employment, and property the means of beneficial action and investment. Prices, for the most part, would be determined by demand and supply, and speculative undertakings would rest upon their own merits. Not being induced by a general inflation, but by isolated circumstances and individual enterprise—call it, if you please, recklessness—failure would not be the result of a collapse in the money market, and, therefore, not of any general consequence, as the loss mainly would fall on those immediately concerned.

In any proposed change, however, the profoundest attention should be given to the subject. It is an easy matter to find fault, but not so easy to hit upon the best remedy. Ultimately, in a more advanced state of society, national notes will undoubtedly form the basis of the circulating medium—possibly the sole circulating medium, with the exception of gold and silver for change; but at present we must take things as we find them, and deal with them tenderly. In any plan that may be adopted care must be taken not to drive sovereigns from circulation without substituting other money in their stead. They now form amongst the masses a very important portion of the circulating medium, and are indispensable to their operations. The large supplies of gold in prospect, however, will probably, to some extent, depreciate its value and cause it to be looked upon with less and less favour; and consequently the present is a favourable opportunity for legislating on the subject. It is quite doubtful, in the uncertain state of the supplies from the mines, whether continuing gold as the only legal tender money would make money more valuable or less valuable, or most to be desired by the producing classes or the fixed interest classes. I doubt, however, whether even the producing classes would benefit by the cheapening of money *beyond the point that gives them full employment.*

In dealing with the Bank Act I would begin by substituting £14,000,000 of national notes for the £14,000,000 of Bank notes now issued upon the deposit of that amount of Government Securities—redeeming the stock therewith, and thus saving to the nation nearly half a million annually. This saving, and also all savings by additional issues of national notes, might, should it be thought expedient, form, at compound interest, a sinking fund for the redemption of the national debt. The Bank of England notes, then, being replaced to the extent of £14,000,000 by national notes, the Bank should be released from the obligation to buy gold, and its issues should be restricted to about £16,000,000 upon a deposit in the issue department of £10,000,000 of gold.

The authors and advocates of the present system pretend that it is calculated to check both over-importation and over-issues; but although in its final action it tends to stop both, it does not act as a preventive from day to day. On the contrary, it notoriously takes the lead in promoting and encouraging speculation.

Were gold allowed to find its price in the market, like other commodities, such a state of things could not exist. Should the course of trade in that case lead to over-importations, it would be shown in the rise of the price of gold and an unfavourable exchange. Merchants would then take warning, and act accordingly, and the loss attendant upon such advances would fall where it ought. At the present time the great merchant who over speculates and over imports, for the most part sells out before a reaction takes place, and throws the burden of a decline of prices upon the middle-man, who has been in no wise to blame, and in no wise deserving it. In respect to the amount of money in circulation, an advance in the price of gold would indicate the state of the supply as compared with the requisite quantity. The present system ties the weathercock, and then expects it to show the way of the wind.

The advocates of the bills of 1819 and 1844 point to *the progress of the nation* since these laws came into operation in proof of their beneficial action. "How wonderful they resist the storm!" "How wonderfully overcome panic!" Why, the storm and the panic are creatures of the system; they arise under the system, and come of the system (the term panic, as now applied, was not even known before the bill of 1819); and as to attributing the general advance of the nation to the beneficial action of the system, nothing is more notorious than that the nation has flourished in spite of it, and not through its aid.

Probably no other nation in past or present times ever occupied so favourable a position as this did at the period of the peace of 1815. It had to some great extent the commerce, the manufacturing, and the machinery of the world at its command. With a properly-regulated medium of exchange between property and labour, it would, ere this, have attained a height of unexampled prosperity and aggrandisement.



It has held its own, and, perhaps, surpassed the slow movements of the Continent; but through what a sea of trouble has it passed. The woes of the last 40 years would fill a volume in the bare recapitulation; at different periods wide-spread pauperism and discontent bordering on revolution; whole generations of manufactures swept away; millions of people driven from their homes; mechanics, artisans, and labourers, scattered to all parts of the world to find a market for their labour; the failure of banks and of the "merchant princes" without number, and of numbers of the most active, useful, intelligent, and enterprising of the citizens of all classes; and, whether for good or evil, the breaking up of the great political parties through the force of circumstances, impelled by the necessities of the people. These are amongst the things caused by the imperfections of the system and the want of a proper circulating medium. And let it not be said that this is simply an assertion after the fact. For the most part, these things had been clearly and explicitly foretold, and many of them prior to the year 1819.

If any additional proof were wanting of the inefficiency and worthlessness of the system, it would be found in the fact that, after about 40 years of profound peace, the national debt has not been reduced in any material degree. Again, the prosperity, such as it has been during the last seven years, is to a great extent attributable to the Californian and Australian gold—accidents in no wise anticipated by the bills of 1819 and 1844, but altogether opposed to their genius, inasmuch as these acts were based upon the assumption that the quantity of gold was nearly determined, and therefore its value not liable to be affected.

When the Anti-Corn-Law League had spent its first and its second subscriptions, without having made any considerable progress in its object; when its opponents considered it in its last throes, and likely to become defunct; *I* brought forward a resolution before a large meeting in Birmingham, which was carried and acted upon, to drop the currency question for the time (which had always in Birmingham been considered paramount to others), and to direct public attention within the district to the repeal of the corn laws. At the same time, *I proposed a plan to Mr. Cobden for resuscitating the influence and power of the League; which plan was nearly literally adopted; and the repeal of the corn laws was the consequence.* Now, many persons, and especially some in power, who had to be taught by the use of the cry, the watchword, "*Free Trade*," to comprehend a plain necessity, and to be induced to lend a hand, have become wiser in their own estimation than their teachers. They scoff at the currency economists, and look upon the repeal of the corn laws and importation duties as the full development of free trade, lending their feeble aid to the upholding of a monetary system ten times more opposed to the principles of free trade, and ten times more injurious, than the corn laws and importation laws ever were or ever could be. *These should, instead of scoffing and sneering, either assist in reforming the currency, or doff the false colours under which they are acting, and no longer pretend to be Free traders.*

I have the honour to be, Gentlemen,

Your most obedient Servant,

SAMUEL A. GODDARD.

*Edgbaston, Warwickshire, December* 15, 1856.

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# LETTER

## IN REPLY TO MR. GEORGE COMBE'S PAMPHLET.

To the Edinburgh Chamber of Commerce.

Gentlemen,

A petition from the Edinburgh Chamber of Commerce to Lord Palmerston, praying for the repeal of the Money Bill of 1844, has led to a series of letters in the *Scotsman*, Edinburgh newspaper, by Mr. Combe, author of the "Constitution of Man," in which he combats the arguments used by the petitioners, and treats at large on the science of money.

These letters have been republished in London in a pamphlet form; and Mr. Combe, in his introduction, takes occasion to praise Lord Overstone, the reputed originator of the bill of 1844, and the compliment was returned by the *Times*, and thus the letters have acquired a factitious importance.

It is not intended in the following remarks to enter upon a defence of the Chamber of Commerce, but simply to reply generally to the arguments advanced by Mr. Combe.

On entering upon the general question of currency, the practice of merchants, the "course of exchange," the mode of settling balances between nations, &c., Mr. Combe gives the most common-place examples; he confounds causes with consequences, and enters minutely into details familiar with the most superficial observer. He assumes theories in order to upset them, and builds castles to show his valour in demolishing them. His sneer at Sir Walter Scott, is altogether unworthy of an enlightened mind. Sir Walter saved to Scotland its one-pound notes, and seeing the complacency with which Mr. Combe regards the ruin of the millions, because it sometimes benefits the few, it would be quite as charitable to attribute his defence of the present monetary system, which occasions that ruin, to a desire to profit by it, as it is for him to attribute Sir Walter Scott's defence of the one-pound notes to a desire to obtain, through them, an opportunity to speculate for his individual profit.



Passing by such puerilities, as that "currency is by some called the standard of value," and that "if confidence be not universal, its utility as currency ends where confidence fails," we come to the first proposition —viz., there are two classes of buyers and sellers, "the foreign buyers and sellers, and the home buyers and sellers," which is stated as a prelude to his arguments, in which he attempts to show that the currency, prayed for by the Chamber of Commerce, even if suited to the home trade, could not be adopted, *because it would put a stop to foreign trade.*

Admitting, for the sake of argument, the correctness of this supposition in respect to foreign trade, will Mr. Combe show why the home trade should be sacrificed to the foreign trade? Will he show that the foreign trade is of sufficient importance to justify the withdrawal of our internal medium of exchange between property and labour, thereby preventing the employment of labour, and the paying of taxes and monetary obligations, and hazarding universal ruin? Will he show what possible advantages the foreign trade can possess to counterbalance these evils? Unless he can do so, his arguments on this head are not worth consideration.

Mr. Combe maintains that the great object of the convertibility of notes into gold, is to supply the foreign trade with it at £3 17s. 10½d. the ounce, and at the same time asserts, that any considerable demand for it makes money so scarce, that prices of merchandise are forced down, and then foreigners prefer the merchandise to the gold. It consequently follows that the object of convertibility is to force down prices, and this probably is not very far from the truth. Will he show, then, how labour can meet its obligations under these low prices? Will he show that during these periods of artificial scarcity of money, the people have less taxes to pay, less obligations to meet, less use for money, and therefore that a smaller quantity of money will suffice? Certainly not; he does not pretend to any of these things, but simply that gold must be supplied at £3 17s. 10½d. the ounce, that prices may be kept down, in order that the foreign trade may take our goods.

Again, will Mr. Combe show what magic there is in this particular price for gold, and why any other higher price would not do as well in respect to foreign trade? Will he give a reason why the foreign trade could not be conducted as well with gold at the market price, finding its own price in the same way as other articles do? He pretends to understand the science of the exchanges, let him show why the action of the exchanges would not prevent the evil which he apprehends.

Why should foreign trade come to an end unless bank-notes be convertible into gold on demand at a certain fixed price? The supposition is confirmed neither by theory nor practice. All experience is against it. Foreign trade has been conducted prosperously for a long period, while bank notes were not payable in gold at the Bank The price of gold *per se*, is of no possible consequence to the foreign trade. It is simply necessary that our internal currency should be put upon a stable footing, so as to preserve equability of value to the extent of preventing material changes at short intervals. The price of gold would be mainly determined by the quantity of money in circulation, and this quantity would also determine the prices both of foreign and home products—all would be measured by the same scale; the advanced price of one would be offset by the advanced price of the other, and both the home and foreign trade would be maintained in a state of continuous prosperity,

Further, Mr. Combe considers it necessary to adopt an article for a measure of value, which is not subject to arbitrary variations in value, and in that he is right; but he considers gold to be that article, and that in making notes convertible into gold, he insures their equability of value, in both of which suppositions he is wrong.

In the first place, a currency exclusively of gold would be subject to considerable variations in value through melting, hoarding, and exportation, on the one hand, and through increased production from the mines on the other hand; but, issued in connection with paper money, it is not only subject to variations in value from these causes, but from the variations in the quantity of paper money in circulation. From this latter cause, the value of gold, as compared with that of several prominent articles of merchandise, has varied 200 per cent. since the passing of the bill of 1819. Hence, as the sole money, it is by no means an unvarying measure; nor, by redeeming notes, does it ensure equability to the value of a mixed currency of gold and paper.

If the value of two quarters of wheat, one bale of cotton, one ton of iron, and one ounce of gold be about the same in the world's market, the cost of production being about the same, and this value be stated at £4; and if then by issuing bank-notes we raise the three first-named to £12, while the last remains at £4, the value of the ounce of gold is reduced two-thirds as completely in respect to these articles, as it would be were a law passed making it current for 26s. 8d. only.



It is this result which causes the exportation of gold. When other articles have advanced considerably, gold is preferred because it has not advanced, and hence the tendency of our mixed system is to induce the foreigner to bring to our market all that he possibly can on sale, and then to take in return gold in preference to our products. He sells his bag of cotton at £12, and instead of taking in return a ton of iron at a similar price, obtains three ounces of gold, and thus gets three ounces for an article worth no more than one ounce, which is preserving equability of value with a vengeance.

Does it therefore follow, because the use of bank-notes reduces the the value of money, that paper money should be discarded? By no means. In the first place its use could not be dispensed with, without a social revolution—possibly a political revolution; and in the second place, nothing so good could be substituted.

The grand object to be accomplished, is to maintain a sufficient amount of money to sustain the existing range of prices. As all payments ultimately come out of labour, a decrease of prices takes from labour or the producing classes, and gives to the non-producing classes, to the extent that the non-producing classes are consumers. And although for a limited period this might seem to benefit the non-producing classes, yet as their prosperity is so entirely dependent upon labour, and so intimately interwoven with that of the producing classes, any course which throws labour out of employment, or discourages its application and checks industry, finally re-acts, and damages property and the non-producing classes. The tree may rejoice in its sap, may throw out its branches and its leaves, and for a time appear to despise their origin; but unless the sap be returned to the roots, to assist them and stimulate them to renewed action, the tree dies.

Even if gold would secure more equable prices than paper, it would hardly accomplish the present enormous interchanges; besides the time and labour required in using it would be a heavy tax upon the community. Having by experience ascertained about the amount of money required to maintain the existing order of things, to meet the requirements of society, and give full employment to labour, the next object should be to place it upon a safe and permanent footing, and so that equability of value would be maintained.

Mr. Combe is free in condemning those who have been wrecked through the never-failing action of the system which he upholds. He thinks they should be alive to its destructive tendencies and resist their action, and not be carried along by the stream. Now, abuse is cheap, and is always acceptable to a large class of readers, and if he could not spare Scotland's brightest ornament, why should others hope to escape Are simple-minded traders to be denounced because they shape their course in accordance with the law? Are they to know that the tendencies of the law are ruinous and to be avoided? Are individuals to attempt to swim against the current? As well might a cockle-shell stem the torrent of Niagara, or an Indian stop the progress of civilisation, as a trader oppose the general movement, or pursue a course uninfluenced by the doings around him. The wisest statesmen, and the most cautious capitalists even, are powerless against this influence. Mr. Chancellor Robinson, in the year 1825, just previous to the great panic, boasted in parliament, that never was prosperity greater, nor more stable, and he claimed especial credit for its being "dispensed from the portals of a constitutional monarchy." And here it may be observed that rulers are ever ready to claim the merit of prosperity; but if adversity and disaster arise, it is attributed to a dispensation of Providence.

Again, in the years 1845 and 1846, the oldest and most prudent capitalists embarked wholesale in railway undertakings, under circumstances which, as afterwards appeared, would inevitably lead to ruinous losses. Thus showing that any system under which all are operating will become after a time irresistible in its influence. All history confirms this fact.

The "Edinburgh Chamber of Commerce does not object to the principle of stipulating for security for bank-notes, but does object to the plan of restricting the security to gold alone." Mr. Combe opposes this view, and maintains that any other security than gold is useless, perhaps pernicious; but he appears to overlook the fact for the time being that the Bank of England gives security in government stock to the extent of £14,000,000, and that no bank-notes whatever are secured by gold except those issued by the Bank of England above the amount of the £14,000,000 secured by stocks.

Mr. Combe proceeds to show the uselessness of giving any other security than that of gold as a preventive to over issues, and instances as an example certain security banks in the United States of America. But this on his part was quite unnecessary, as the chamber had not pretended that it could prevent over issues. If he calls the liability to pay gold on demand "giving security in gold," how can he consider it a prevention of over issues, seeing that he himself brings Lord Overstone to witness (coinciding with the testimony) that, "requiring notes to be paid in gold on demand, does not prevent over issues," and that "nothing short of limiting the quantity of bank-notes by law would do so," and hence the clause in the bill of 1844 to that effect.



Being "in America in the years 1838 and 1839, Mr. Combe had an opportunity of witnessing a disastrous crisis, and of studying the effect of issuing bank-notes upon securities;" and here he appears, in desultory conversations with individuals, to have imbibed his notions upon currency. He says:—

"Some of the states had passed laws authorising the public comptroller to take, from persons wishing to issue bank-notes, pledges of state stocks yielding dividends, and to give in return notes certified by him as thus secured, to be used at their own discretion.

"It was soon found that this was a capital plan of increasing income—receiving interest on the stocks, on the one hand, and interest on the notes, on the other. Bank-notes were multiplied, prices rose, gold was applied for, the banks had not gold enough to pay, and the crash came."

Will Mr. Combe show how the securities led to over issues, and precipitated the crash? The notes were payable in gold or silver on demand, in accordance with the system he advocates, and had the additional security of state stocks; it therefore followed that the holders of the notes of security banks stood in a better position than those of notes of the non-security banks, *to the extent of the value of the securities,* (all other things being the same), whatever that value may have been. The example is in point to show that giving securities will not prevent over issues; but the Chamber of Commerce had not asserted that it would do so, nor had it been supposed by any one. It is also equally in point in showing that liability to pay in gold on demand will not prevent over issues.

Mr. Combe holds that it is essentially wrong to allow banks to receive dividends upon stocks placed in the hands of a public comptroller on the one hand, and to receive interest upon notes issued upon the strength of such deposit on the other. Will he show why receiving dividends on stocks placed in the hands of a public official, differs in its tendency from receiving these dividends on stocks held by bankers in their own hands or in the hands of other parties? The greater the amount of stocks owned by such bankers, the more eligible would they be as bankers, and the safer would their notes be. Will he show why receiving dividends would lead to speculation and over issues in the one case more than in the other? The idea is simply absurd. Will he show for what reason bankers issue notes at all but for the gain of the interest and to acquire the money facility; and will he reconsider his justification of the measure which premits the Bank of England to receive interest on the 14 millions of its securities, and the same time interest on a like amount of notes issued on the deposit of those securities?

The American monetary panics have been for the most part concurrent with the money panics in England, and have arisen mainly from the same cause—viz., through the attempt to obtain great money facilities by issuing bank-notes, at the same time making the bank-notes payable in gold, at the world's price for gold; thus acting upon the fallacy that the unit of the aggregate quantity of the paper and gold would be as valuable as the unit of the gold issued alone without the paper.

The employment of labour, and the general prosperity resulting from the issue of paper money, has lulled the communities into security. Extensive undertakings have been commenced, lands purchased, ships built, railroads laid, and the nations have rejoiced, until presently gold having become, comparatively, the cheapest article in the market, a demand for it has arisen from abroad, and then, as the banks have not held enough to pay all their notes on demand, they have stopped payment, and occasioned panic, and universal confusion; or if, by withholding assistance to their customers and the public, and thus liquidating their notes by demanding them in payment of debts due to them, they have been able to maintain their position, the dismay and ruin has been hardly less universal. It should not be forgotten that although the banks may have a large amount in circulation, the public owes them in the aggregate a heavy balance, even after the whole of the bank-notes are redeemed and extinguished.

The great American panic was to some extent, an exceptional circumstance. The President, General Jackson, endeavoured (as it was said) to make use of the Bank of the United States for political purposes, and being thwarted, determined to ruin the bank. His first step was to remove from that bank the government deposits, amounting to about 50,000,000 dollars, which deposits he distributed through the several states, placing the money in favoured state banks, thenceforth called pet banks. And in order to preserve the general prosperity, and thus secure the popularity of the measure, and to show that these state banks were equal to the managing of the national finances, and to supporting the trade of the country and the general requirements of the community, they were encouraged to lend freely and to make money plentiful. Through these causes the bank-note circulation was increased from 117,000,000 dollars to 195,000,000, within about twelve months. This occasioned the unexampled prosperity of 1834, 1835, and 1836, but the natural consequence soon followed. High prices induced large importations; the foreign indebtedness became great; and as gold had not risen in price, foreigners, or, what is the same thing, the foreign trade, preferred to take payment in gold (as natuarally would be the case



when gold could be had at £4 the ounce, while cotton had risen from £4 to £8 the bag, and other things in the like proportion), and the banks not having enough gold to meet this universal demand, stopped payment, not because they were insolvent, but because their debtors could not pay on the moment so much as was required. Nevertheless, the bank circulation was reduced in twelve months from 185 millions to 90 millions of dollars. An Englishman, in the spirit of Mr. Combe, and in the superlative folly of the times, wrote:—"The Americans are steeped in poverty, and are utterly faithless; they cannot pay! they have got no gold; they have nothing but cotton and flour rotting upon their wharves!"

Since that period, in the ordering of Providence, two remarkable things have occurred illustrative of the folly of those remarks– viz., we have seen the time when the American flour was considered better than gold, and the Americans have shown the way to an abundance of gold.

Mr. Combe acknowledges that the Americans are an acute people, understanding their own business and own interests; and as the right of suffrage there is universal, and as the legislators for the most part are chosen annually, he will not deny that the people make their own laws. Therefore, if the establishment of banks, and the issuing of notes upon securities, was injurious to the community at large, it is fair to suppose that the evil has since been got rid of. But how stand the facts? Let us take the state of New York, which is by far the most important state and is a fair criterion of the whole, for an example.

In the year 1835 there were in the state of New York the following banks, viz.:—

| | | | Capital. | |
|---|---|---|---|---|
| | 77 | Safety-fund banks ... ... — ... | 24,531,460 | dollars. |
| | 10 | Banks not subject to the safety-fund | 5,250,000 | ,, |
| | 3 | Branches of the United States Bank | 3,000,000 | ,, |
| Total | 90 banks. | Total capital ... | 32,781,460 | dollars. |
| | | Specie ... ... ... ... ... ... ... ... | 7,345,195 | dollars. |
| | | Circulation ... ... ... ... ... ... ... | 31,197,751 | ,, |

In the year 1854, these items stood as follows, viz:—

| | | | Capital. | |
|---|---|---|---|---|
| | 55 | Incorporated banks ... ... .. | 83,773,288 | dollars. |
| | 197 | Banking associations ... ... ... | | |
| | 82 | Individual bankers ... ... ... | | |
| Total | 334 banks. | | | |

Specie ... ... ... ... ... ... ... 13,661,565 dollars.
Circulation ... ... ... ... ... ... 31,197,757 „

The bank government commissioners say in their report:—"In this year but one bank in the city of New York has failed to redeem its circulation. The *securities held by the superintendent* were sold at public auction, and converted into cash, and a dividend of 94 per cent. was paid to the bill-holders." So it would appear that the community had not sickened of banks nor of the plan of taking securities; and even Mr. Combe would hardly find in a 94 per cent. dividend an argument against taking securities.

The New York state commissioners, in their annual report, say:—"Banks have justly been esteemed as among the most useful and powerful agents in developing the resources and stimulating the industry of the country. Actual capital would never have spread one half the canvas which now whitens the ocean, nor given motion to one half the spindles which are now in action. Credit, as a substitute for capital, has been found to answer the purposes of labour saving machinery to manufacturing industry, and it is to the use of credit in various ways, during the last half century, that the world is mostly indebted for the astonishing rapidity with which manufacturing, commercial, and even agricultural improvements have advanced. We are, perhaps, half a century in advance of improvements, which the actual capital and industry of the country would have effected without the aid of an extensive system of credit."

Mr. Combe goes on to say, "the Bank of England notes are now received upon the continent *only because they are payable in gold*, and if Britons owed a balance to other nations, or wished to buy from them, and had nothing to offer but bank-notes, not payable in gold, but only secured by British property, their commerce with them would cease altogether."

Surely it is hardly necessary to say that this sentence betrays the greatest ignorance of facts or utter recklessness of assertion. It is not only not true in any one respect, but not founded upon one particle of truth. England carried on an extensive foreign trade when bank-notes were not payable in gold, and bank-notes were just as current abroad then as at the present time, at whatever amount of gold they would sell for in the English market, less the expense of transmitting them. Cannot Mr. Combe see that a piece of paper that will command £4 in the London market, will pass for about £4 in Paris, and no more, whether it has three, five, or five hundred pounds upon its face? And can he not see that a note not payable in gold on demand, but which is secured by British property, would command some gold in the British market, and would, consequently, command a nearly similar amount in Paris? Why, bank-notes during the last war, while England was supporting fleets and armies and granting large subsidies abroad, altogether requiring large sums to be sent abroad, although unsecured in any way and although issued at the will of the directors of the Bank without restriction, never at any time commanded less than about 15s. to the pound in gold.



But even if bank-notes were valueless abroad, it would not stop foreign trade, nor would it interfere with it. Russia, to prevent its bank-notes being sent out of the kingdom, and thereby secure their use for internal transactions, repudiates them entirely in case they leave the kingdom. And whoever heard of this stopping trade with Russia? Would not an article that would command "British property" also command iron and manufactures of cotton and wool, and, in fact, anything in the same market? What does the foreigner care for gold, unless indeed, he can buy it cheaper than other articles? And what does he do with it when he has got it, but take it elsewhere, and buy the articles he refuses to buy from us, because we ask higher prices for them than for gold.

Mr. Combe goes on to say, "Shall the conclusions of the profoundest thinkers and most experienced practical men in and out of parliament, tested for half a century, be abandoned on the mere assertions of the men who have led the Edinburgh Chamber of Commerce?" The reply is, certainly *they shall*, if the chamber be right and they be wrong. But we altogether deny the correctness of the premises. There is not one practical man in the whole empire who denies that the present system of currency is imperfect. There is not one profound thinker who is satisfied with it as it is, unless, because it promotes his individual interest. There is hardly an enlightened man who does not see that the currency question is *not* settled, that it is the great question of the age, and that its proper solution is of pressing importance. Sir Robert Peel brought in his supplemental bill of 1844 to correct the defects in his bill of 1819, and it is nearly certain that were he now alive he would bring in another supplemental bill to amend that of 1844. Who will pretend for one moment that the combined bills of 1819 and 1844 concentrate the wisdom of the nation in respect to the circulating medium?

Mr. Combe maintains that "The demand for gold at the present time is an exceptional circumstance, and is not likely to continue." No doubt the exportation of gold has been increased by the requirements of the war; but this does not get rid of the fact that a demand had arisen periodically prior to the war, and may, and no doubt will, occur again and again, so long as our present monetary system is persevered in; and all admit that but for the discovery of the Californian and Australian gold this system could not have been continued in force; and, therefore, the best that can be said of the system—the offspring of the collective wisdom of the nation, according to Mr. Combe—is, that it exists by accident.

Mr. Combe sums up the advantages of gold as security for notes, and as the only legal tender money, under the following heads, viz.: —

"1. It cannot be increased or decreased arbitrarily.

"2. It is accepted as a standard of value and a medium of payment by all nations.

"3. While held as a security for paper issues it yields no return itself, and thus removes the temptation to issue for the sake of the profit!"

In respect to the first characteristic, it has already been shown that the value of gold is liable to great variations, even when it forms the exclusive money of a nation; but that when circulated side by side with paper money it is subject to very great variations, and that its value has been decreased, at particular periods, since the passing of the bill of 1819, as compared with staple articles of merchandise, 66⅔ per cent.

In respect to the second, it has also already been shown that the price of gold in our internal currency is of no importance to the foreign trade, if it it be left to find its market price; and that it will be as useful to that trade in making purchases and paying balances under a system of inconvertibility of bank-notes as under the system of convertibility.

In respect to the third characteristic, the objects which bankers have in issuing notes, are the creation of money capital, and the gain of interest. We know of none other. Now, as neither of these objects would be gained to the extent of a fraction were gold to an equal amount deposited as security, it follows, that whatever *advantage* is derived in the issue of notes, is obtained, according to the evidence of Mr. Combe, not by virtue of this characteristic, but through rejecting it.

Mr. Combe denies that the bill of 1844 was the cause of the panic of 1847, but he cannot deny that the panic occurred under that bill, nor that it is not competent to prevent panic. The opponents of the bills of 1819 and 1844, declared, before the former came into operation, that the system would fail to prevent panics; and not only so, but would accelerate them; and they maintained then, and maintain now, that under a proper monetary sytem there would be continuous prosperity,



and that what is now called panic would never occur; and for the simple reason that its causes would not exist.

The bill of 1844, in limiting the issues of private and joint-stock banks, and in requiring the Bank of England to deposit gold to the amount of its notes above £14,000,000, had, no doubt, prevented so great an expansion of money facilities as would otherwise have taken place, and had placed the bank in a strong position in respect to the payment of its own notes. Yet at the period alluded to it deprived the Bank of the ability to assist its customers and the community by locking up 8,000,000 of sovereigns on the one hand, and preventing the issue of notes on the other. Capitalists, being aware of this state of things, held up their money and thereby increased the difficulty; panic ensued, and the community was on the verge of bankruptcy, when Lord John Russell's letter appeared, authorising the Bank to over-ride the law. The alarm instantly subsided, and money came out freely, and consequently the bill of 1844 was upheld through leave to break its provisions. According to Mr. Combe, as the Bank had gold enough to meet every possible demand, there ought not to have been a panic.

Mr. Combe states that the demand for gold in 1847 was an exceptional circumstance, occasioned by the potato blight and the short crop of wheat, which rendered it necessary to send gold abroad to buy food; and he claims credit for the law of 1844, in having secured to the Bank a stock of gold for that purpose. But it had precisely the contrary effect. It completely locked up the gold in the Bank; and deprived the community of its use at the very moment it was most wanted. Had proper steps been taken in the year previously, and in 1844, no panic would have occurred, and the effects of the short crops would hardly have been felt; and this is not a prophecy after the fact. The whole thing was fortold in 1846, and seen then as plainly as it is now, but ministers could not see it. They were too deeply engaged in stimulating railroads and in dispensing prosperity "from the portals of a constitutional monarchy."

In his letter of the 5th of December Mr. Combe turns to "the bright side of the picture." The bright phase in the action of the law of 1844. That law in its operation, having brought down prices, ruined thousands upon thousands, having removed, or occasioned subsequent removal, of about three millions of the Irish people by starvation or emigration, now, according to Mr. Combe, presents its "bright side." He says "the necessity which the Bank of England and other banks had to pay their notes in gold" (which, by the way is not true in respect to other banks, because none but the Bank of England are required to pay gold, nor is it correct, as elsewhere asserted by Mr. Combe, that other banks are premitted to issue notes beyond the average fixed by the bill of 1844, upon depositing gold) "*caused money to become scarce, which, in connection with the many bankrupt estates in the market, occasioned a great fall in prices*, and then it was that small capitalists, annuitants, and persons living upon fixed incomes, came into the market, and bought to great advantage." So that what one lost another gained, and upon the whole Mr. Combe appears to think no great damage was done. Mr. Combe should be styled "the knight of the bright side." Possibly *he* invested his hundreds, perhaps thousands, at this time, rather more advantageously than poor Sir Walter had done at the periods of the "portal dispensation." A law putting to death one half of the population that the other might possess their property, would be scarcely less atrocious.

Mr. Combe, in continuation (for we are taking his letters continuously) says:—"A bank note will sell in France for 23f., in Italy for 20f., and in Spain for 18f., according to the requirements of the people to remit it to England. This happened during the war, while specie payments were suspended, and would occur again under like circumstances." So here he acknowledges the incorrectness of his own fundamental principle, that under a system of inconvertibility, bank-notes abroad would be worth nothing, and foreign trade would cease.

In his letter of the 8th of December, Mr. Combe remarks upon "the ruin which attended the Bank suspension of 1797." It has generally been thought that the ruin would have been much greater *had not* suspension taken place; and that suspension was only in fault in not preventing all the ruin instead of a portion of it only. But it should not be forgotten that suspension at that time was not the result of over issues, nor the result of long deliberation of any well-organised and well-settled plan, but simply adopted on compulsion, upon the spur of the moment, to enable the Bank to meet the requirements of the war in which the nation was engaged; nor should it be forgotten that through this assistance the nation was enabled to carry on the war, and finally to come out triumphant. Whether the war was right and proper or not, is not to be considered, the merit of the Bank was the same.

Mr. Combe goes on to say "Mr. Jones Loyd had discovered in the year 1840, that there is liability to excessive issues of paper money, even while convertible into gold at will," and it was to prevent that, that the bill of 1844 was passed. The opponents of the bill of 1819, asserted, prior to the passing of that bill, that such would be the case, and it was perfectly manifest during the panic of 1825. They forsaw that any considerable issue of bank-notes would raise prices, and cause a demand



for gold, exhibiting what Mr. Loyd calls an over issue, long before the community were supplied with a sufficient quantity of money to give employment to labour; for until that be effected money can never be in reality, in excess, although in referenence to the system it may be so.

In his letter of the 12th of December, Mr. Combe, after admitting that the Scotch banks manage almost without the use of gold, asks, "Suppose the obligation to pay notes in gold, or its equivalent, were removed, what check would remain on banks disposed to increase their circulation by reckless issues, to encourage speculation?" Surely Mr. Combe's memory is short. He has just told us that "Mr. Jones Loyd had discovered that making notes payable in gold on demand, would not prevent over issues;" and he forgets also the clauses in the bill he is supporting. What was Mr. Jones's remedy, as provided in the bill of 1844? Why, simply to limit the amount of issues by law. And would not this check be as effective in the case pointed out by the Edinburgh Chamber of Commerce, as under the present system?

He goes on to say:—"When the credit of banks is undoubted, no one desires gold for notes; when the credit of banks is good no one thinks of demanding gold except for exportation." Not one single £5 note has been changed at the Bank of England for 30 years, because the credit of the Bank was not good. Therefore, the exception forms the rule. Nearly all demands are for exportation, and these have been periodically great. But Mr. Combe here unwittingly admits the whole argument of the Chamber of Commerce, viz., that bank-notes properly secured, and, consequently, in good credit, would perform all the functions of money, no one ever preferring gold; and, consequently all that would be required would be, "some way of supplying the foreign trade with gold." And why should we be so anxious about this? We have no law to supply the foreign trade with iron, or the manufactures of iron, cotton, or wool; and we are much more desirous that foreigners should take these than that they should take gold. Indeed facts show that they do take them in pretty large quantities, in despite of the want of a law to supply them. Were gold allowed to rise in its market price, foreigners would take less of it than they now do, and more of our manufactures, the fruits of our industry. The American manufacturers have been built up mainly by three circumstances:—

1. By the emigration of our artisans, forced upon them by want of employment at home, through the want of a proper circulating medium to enable property to employ labour, and this at a time when the whole world was in want of our manufactures.

2. By the periodical expansion of prices as compared with the prices

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1. By the emigration of our artisans, forced upon them by want of employment at home, through the want of a proper circulating medium to enable property to employ labour, and this at a time when the whole world was in want of our manufactures.

2. By the periodical expansion of prices as compared with the prices

of gold, which has induced them to take our gold instead of our goods; and

3. This gold so obtained has given them the means to establish manufactories, to employ our expatriated artisans, and to make for themselves the articles which we refused to sell at the price of gold.

The bill of 1844 limits the issues of private and joint-stock banks, making their notes payable in gold or Bank of England notes on demand. Now, suppose in addition to this safeguard, these banks were required to give some security as suggested by the Edinburgh Chamber of Commerce.

Then supposing that the Bank of England, having given security for 14 millions of its notes, be permitted to issue 4 millions more on securities, making together 18 millions, and then be required to deposit with government commissions 12 millions of bullion, receiving in return 12 millions of notes, and that then the total amount—viz., 30 millions, be made a legal tender, not redeemable in soverigns. Would not these bank-notes—private, joint-stock, and Bank of England—form in the aggregate, a safe, equable, and efficient currency? It would possess at least two of the requisites, according to Mr. Combe—viz., *limit*, and a deposit of *non-dividend paying gold*,

"But" says Mr. Combe, "the foreign trade!" And in his letter of the 15th of December, which closes the series in reply to the Edinburgh Chamber of Commerce, he says:—"The opponents of a convertible currency, desire to have a home circulation equal to the wants of trade, leaving the foreigners to buy gold in the market in the same way as any other commodity. But the difficulty lies here—if the home currency is not by law, convertible into gold, it may be used to such an excess that merchants may be compelled to give five pounds for gold equal to four sovereigns."

Mr. Combe again forgets, that according to his own statements, making notes payable in gold on demand does not prevent over issues; and that limiting the amount of issues does prevent over issues. Then why should not the application of the limit prevent the excess he apprehends? Surely it would do so, for the limit for Scotland might be a single pound note; in which case there hardly would be excess. But in respect to the merchant, suppose he should have to give a five-pound note for four sovereigns, where would be the harm? Who would suffer? No one. The merchant still would have his money's worth. The price of the article he had imported, and the price of gold, would be measured in the same money, in the same scale—viz., in his bank-notes. He would have obtained his £5 note for the bag of cotton, which, other-



wise, would have brought him but £4, and so would net four sovereigns or an ounce of gold for it, all that it was worth. But, probably, having obtained the £5 note, he would buy a ton of iron instead of the ounce of gold, whereas, under the present system, he would decline the iron and take an once and a quarter of gold; thus obtaining 25 per cent. more for the bag of cotton than it was worth.

Mr. Combe adds:—"The present clamourers for suspension carefully conceal the fact that every convulsion that has occurred since the year 1819 has been preceded by two or three years of speculation, excitement, and over trading." He might as well say we conceal the fact that a deluge is occasioned by heavy rain. A thing can hardly be said to be concealed which is the cause of the thing complained of, and notorious to every one. These periods of artificial excitement are a phase in the system complained of. They are more injurious than the panics, inasmuch as they are not only attended with some evils in themselves, but tend directly to, and cause, the subsequent panics.

The system is based upon a fallacy—viz., that the one pound of the mixed currency, increased as the quantity is (indeed to whatever extent it may be increased, so long as it is a condition that the paper should be payable in gold) by the issue of paper, will be equal in value to the pound of gold money circulating alone, without the addition of the paper. Therefore, the system will always prove delusive; its revolution is periodical; its phases ever the same, varied somewhat by exceptional circumstances. First, a period of general depression, want of employment, and complaint; next, a slight improvement and of hope; next, a period of good trade; next, of excitement and speculation; and, finally, panic, bankruptcy, and ruin. These revolutions have already extended over a period of forty years, ever since the system came into operation, and they are the result, not of the natural course of trade, *not of experiments that have been made in opposition to the system, because none have been made*, but are clearly and unquestionably owing to, and traceable to, the system, and will continue so long as the system continues.

The nation undoubtedly has increased in wealth. How could it do otherwise? Look at the immense amount of labour that has been performed; the assistance labour has had from machinery, steam-power, railways, and the efforts of science in a thousand ways; and consider also, what might not have been accomplished under a perfect monetary system. Look also to the scenes of misery which have been passed through, and which might have been avoided. Who could witness the sufferings of the heart, and the body, and the soul, which have been endured, without execrating the system which has occasioned them? Generations of traders bankrupt, thousands upon thousands dead of broken hearts, millions driven to foreign lands, and millions dead of starvation. Here is a picture for statesmen and political economists to contemplate, and not surcharged in the slightest degree.

We repeat, the grand object to be gained is a circulating medium that will give full employment to labour, at such wages and such prices as will enable the producing classes to live and to meet the obligations to the non-producing classes—in fact, that will do equal justice to the debtor and creditor interests—a safe, equable, efficient, and sufficient money. That this can be effected by a paper money, properly secured and properly limited, there is no reason to doubt. All experience goes to prove it. That it can never be effected by money composed of an article of merchandise, nor by money composed partly of this article of merchandise, and partly of paper payable therein, is certain. All experience goes to prove it.

These remarks may be concluded with the observation that Mr. Combe probably will, upon reflection, alter his views, and become a valuable advocate of a plan that will overcome the great evil under which the community is now labouring; it is a subject worthy of his talents and his philanthropy: and by repeating that his letters in the *Scotsman* are superficial, unsound, and erroneous; that the bills of 1819 and 1844 have not effected, and will not effect, the objects for which they were intended; and that a system of currency suited to the home trade and foreign trade, and the general requirements of the nation, is perfectly practicable, and may be instituted, whenever we have an efficient Government willing to undertake the task.

I am, Sir, very respectfully,
Your most obedient Servant,
MALACHI MALAGROWTHER, Jun.

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The following Petition was sent to the Chancellor of the Exchequer, October 29, 1855. Very soon after, measures were taken by Government to enable the Bank of England to issue an additional amount of notes, equal to *two-thirds* of the amount of the reduction of the issues by the country banks; but whether any notice was given to the Bank of the intention of Government to amend the Charter is not known. In any case the main argument is applicable to the present time.



"*To the Right Honourable Lord Viscount Palmerston, First Lord of the Treasury.*

"The Petition of Samuel Aspinwall Goddard, merchant and gun manufacturer, of Birmingham, respectfully showeth,

"1st.—That an Act was passed by the Imperial Parliament of Great Britain and Ireland, in the year of Our Lord one thousand eight hundred and forty-four, entitled 'An Act to regulate the issue of Bank of England notes, and for giving to the Governor and Company of the Bank of England certain privileges for a limited period.'

"2nd.—That this Act was introduced and passed under the Premiership and through the instrumentality of a Statesman who had, for a series of years, advocated measures for restricting the issue of Bank notes, and maintaining their convertibility into gold on demand.

"3rd.—That the said Act, being so passed, and under such circumstances, cannot fairly be supposed to have permitted a greater issue of notes than required by the then existing circumstances of the nation; but, on the contrary, the bill having been opposed by many on the ground of its fixing the limit of the issue of notes too low, and by none for placing the limit too high—may be supposed rather to err in the contrary direction.

"4th.—That by that Act the amount of issue, by the Bank of England, was limited to fourteen millions of pounds sterling, with the exception of such notes as it should give in exchange for gold; and excepting also as hereinafter stated.

"5th.—That, by the said Act, the amount of the issues of the several Private and Joint-stock Banks of England and Wales was thenceforth restricted to the average amount of their issues during the three years preceding the passing of the said Act; which period was notorious for a limited amount of business and of Bank-note circulation. It prohibited, at the same time, the establishment of any other Banks of Issue; but provided that should any of these Banks cease to issue notes, an additional amount might be issued by the Bank of England on deposit of Government securities equal to two-thirds of the amount so withdrawn.

"6th.—That after the passing of the said Act, the commercial system and policy of the kingdom underwent a radical change through the adoption of what was called the 'Free Trade System,' and in the repeal of the Navigation Laws. That since that period the mercantile marine has vastly increased, railways have been greatly extended, the population has been materially augmented, and at the present time the amount of taxation and of Government requirements is much larger, causing in the aggregate greatly increased transactions, and consequently requiring a larger amount of Bank-notes.

"7th.—That there is no reason to suppose that the transactions of the empire have reached their maximum. That there is no reason why labour should cease to find remunerative employment, nor why the prosperity of the community should be checked. On the contrary, your petitioner believes a state of prosperity to be the natural condition of an industrious people; and any general adversity to be the result of a vicious system. That prosperity begets prosperity; that the application of labour begets further employment; that the supplying of comforts begets wants; there being no limit whatever to the requirements of man; that the demand by society for increased comforts has in all ages marked the progress of civilisation; and that, as the acquisition of knowledge enlarges the field of research, so the application of labour widens its field of action.

"8th.—That the experience of thirty years prior to the passing of the Act of 1844 had shown that this empire could not for any considerable period enjoy prosperity under a less issue of Bank of England notes than twenty-two millions; that therefore, the amount of fourteen millions fixed by the Act of 1844, as aforesaid, with the addition of such further amount as the Bank might incidentally give for gold, was too low a sum, even for the period of the passing of the said Act; but that, admitting that it was adequate for that period, and that the wisdom of the Legislature enabled it to fix upon the exact sum suited to the requirements of society at that period, it cannot consistently be held that that sum, accompanied as it is by a reduction of the legal issues of private and Joint-stock Banks, of about one-half to one million sterling, is sufficient for the present time of vastly increased transactions.

"9th.—That, therefore, taking all these things into consideration, your petitioner humbly prays that your Lordship will exercise the right that your Lordship possesses, by virtue of the said Act of 1844, in giving notice to the Bank of England of the intention of the Government to alter and amend the said Act of 1844, so as to place the legal tender Bank-note circulation on an equal footing, compared with the present requirements of the community, with that established by the said Act in reference to the requirements of the community at the time of its enactment.

"10th.—And your petitioner further prays, that in any alteration that may be made in reference to Bank issues, your Lordship will, while carefully guarding the interests of all classes, enable Bank facilities to be more thoroughly extended through the agricultural districts, so that the rural labouring population, by receiving adequate wages, may be encouraged to remain; it being obvious, as your petitioner believes, that the increase of the agricultural portion of the community does not keep healthy pace with the growth and increase of the community at large, and that it arises in a great measure from their labour not being adequately rewarded.

"And your petitioner will ever pray."

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The following letter was written three months before the great panic of 1847, upon the occasion of the Chancellor of the Exchequer congratulating Parliament on the monetary difficulty being overcome. There had been a semi-panic in April, and the Chancellor, early in June, was taking credit to himself and to the monetary system for having surmounted it. He represented it as a "*mere passing cloud*." The result was a sufficient commentary upon his opinions and upon the knowledge of the matter of the Parliament which upheld and sanctioned those opinions, and also upon the predictions in the letter. Parliament adjourned without doing anything, and in six weeks after were reassembled by Lord John Russell, to grant the Ministry an indemnity for having authorised a violation of the Bank Charter. The Bank was placed in very nearly a similar position last October, and under the present system is liable at any time to a similar difficulty. Large supplies of gold may prevent it for a period, but when the gold occasions a general rise of prices, its exportation and panic will certainly follow.

*To the Editor of the Midland Counties Herald.*

Sir,

It is admitted on all hands that inability on the part of the Bank of England to grant its accustomed facilities involves the community in the greatest difficulties; *and it will therefore be madness for Parliament to separate without taking steps to strengthen the Bank so as to enable it to continue these facilities, and to sustain the industrial classes in all legitimate undertakings*, thereby enabling them in their turn to support the heavy burthens already pressing upon them, and the further burthens likely to arise from the necessities of Ireland.



Our imports already far exceed our exports; every sea is whitened by the sails of ships bound to our shores laden with full cargoes; there is every reason to fear another failure of the potato crop; and nothing much short of a miracle can prevent, under the present system, a large demand upon the Bank for gold; and when we recollect the general fright occasioned by the semi-panic in April; that the system of 1844 would then have been brought to a close but for the adoption of expedients not again available, we may form some estimate of the evils to be encountered under a further and larger drain.

I challenge any one to show a probability of the exchanges being permanently maintained in favour of this country under the present monetary system, without involving the community in sacrifices frightful to contemplate.

It may be asked, what can Parliament do? what is recommended? The reply is, "where there is a will there is a way," and if a remedy be resolved upon, fifty plans may be drawn up in twenty-four hours, every one of which shall be better than the present.

It is idle to say that the Birmingham people ask for unlimited issues of paper money; those who make the assertion, if any, know it to be untrue; the Birmingham people simply ask for an equable stable currency; a currency that will, so far as is practicable, possess fixation of value, that will give employment to industry by freely exchanging the products of labour, and that will enable the community to discharge its obligations both public and private.

The present system of currency tends to *destroy* trade; it offers a premium to foreigners to take gold, and, at a lower price than it has cost us, in preference to the products of our industry; it makes money more plentiful when it is too plentiful, and makes it scarcer when too scarce. Every one knows a demand on the Bank for gold necessitates it to put on the *screw;* that one turn of the screw creates universal alarm; that a second turn bankrupts thousands and throws thousands out of employment, and that a third turn is death! Every one equally knows the probability of the Bank being compelled to apply the screw. *Ought then Parliament to adjourn without taking steps to strengthen the Bank,* so as to enable it to encounter the dangers that beset it, and to support the community in lawful legitimate undertakings? It is idle to legislate in the wrong direction, to attribute the difficulties to railroads, to famine in Ireland, or to the repeal of the corn law; these may aggravate the evil, but nearly the same state of things existed in 1839, and on previous occasions, when neither of these pretended causes existed.

If Parliament be adjourned, or dissolved, without taking such steps, then will all the horrors which may arise in consequence *be fairly chargeable upon those who have the power to adopt a remedy.*

I am, very respectfully, your obedient Servant,

SAMUEL A. GODDARD.

*Tuesday, June* 16, 1847.

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The following is from a letter written by me under the signature of "Justitia," which appeared in the *Midland Counties Herald* of July 13, 1848. No apology for reproducing it is necessary. It is nearly as applicable to the present time as to that when written. Even the great, and at that period unexpected, supply of gold from the mines, has not prevented the recurrence of nearly similar events to those of 1847; nor will any thing short of a change of the system prevent their repetition at future periods.

*To the Editor of the Midland Counties Herald.*

At the present time even, while Europe is shaken to its centre, through the discontent of starving multitudes; while the wages of the operatives in Great Britain are lessening, and employment becoming scarcer; the supporters of the Bill of 1819 refuse any alteration and cling to their system, as though it were the sheet-anchor of their souls. They content themselves with the supposition that the difficulties of the times are mainly owing to the short harvest of 1846, over looking the fact, that precisely similar difficulties had occurred at previous periods during abundant harvests, and that during one of these periods the Minister of the Crown declared the cause of the difficulties to be, *abundant harvest.* Overlooking also the fact that seasons are uncertain, that short crops may be of annual occurrence, that it should be the especial object of laws to provide for adverse contingencies, to alleviate natural inflictions, to relieve periods of distress, to store up during years of abundance, and deal out during those of dearth: in fact, their infatuation seems to occasion their forgetting the simplest maxims of political economy. But it is still more surprising, that while ten perfectly independent men can hardly be found in all Great Britain, who will sign a declaration of full confidence in the present House of Commons, or in the present Government, a large portion yield their opinions unreservedly, almost without enquiry, to the Minister, the Government, and the House of Commons, in all matters relating to the monetary system. The whole thing is so marvellous, so out of the pale of human understanding, both in respect to the leaders and followers, that the mind finds no recourse but in the supposition that "whom the Lord willeth to destroy, him He hardeneth."



In effecting a change, experience must be the guide. If the doctrines upon which the system of 1819 is founded are unsound, then they should be discarded. That system professes to uphold the maxim that money should possess intrinsic value, while it maintains the absurd notion that money not possessing intrinsic value, if convertible by law, may be created and used, without depreciating the value of the unit. It thus proposes a principle of action, and resorts to subterfuge in excuse for departing from it. Both the principle and the excuse are false. *The support accorded by the public to this proposition is due to the imperfect development of the true principles of political economy; a fact which time will demonstrate.* The supporters of the proposition will one day read its recantation, but without waiting their time, the doctrines should now be rejected and truth be adopted. There is no *safety* in any other course: truth will stand the test of all time; it is the only thing in this world not mortal; but falsehood, or any thing based upon it, by whomsoever countenanced, will be shorn of the sophistry which seeks to hide its true character, and will end in disappointment. If the experience of the present and passing generations has taught one lesson more thoroughly, more completely, than any other, it is that the circulating medium of Great Britain should not possess intrinsic value, and that equability of circulation and fixation of value cannot be maintained where gold forms an essential component part of the currency, but that both of these may be in a great measure secured if the currency does not possess that quality. Gold may be used as an auxiliary without materially deranging the aggregate amount of the circulating medium, but paper money must form the basis.

But it will be asked, ought not the paper money to be *convertible?* The term is not understood; it has no application; it does not arise out of the consideration of the subject; it only presents itself on the adoption of a false system. Convertible into what? Why convert money into money? If it be not money, abolish it, and introduce something that is money. But if it ought not to possess intrinsic value—if it be free from that imperfection—why convert it into that which possesses the imperfection? If a repetition of the calamities now deplored, be desired, the present consideration of the subject is superfluous, and the currency may be convertible into gold; but if the object be to avoid these calamities, then must convertibility be abandoned. Money may possess evidences of value without suborning this false witness. It may pay debts, taxes, purchase food, clothing, lands, and houses; and the pound note may on the average purchase one-quarter of an ounce of gold, or a sovereign. These evidences of value and of safety ought to satisfy any one.

It will again be said, if the currency be not convertible, what will be the unit of value? what will the pound note represent? The reply is two-fold. The law declares the pound to represent a certain number of grains of gold. Allow this pleasant fiction to continue; allow the law to stand. The proposed system will carry it out honestly. Under the present law, while a certain number of grains of gold are given theoretically, and to some extent practically, in exchange for the pound, great variableness occurs in the value of these grains of gold. The system occasions this variableness. At one time they will purchase less than one-half of the necessaries of life that they will at another. Were the unit of value under the present system a reality; did it ensure fixation, did it carry out the only beneficial object in giving to the holder of money, or of the grains of gold, a definite quantity of food, or other property, or the command of a definite quantity of the comforts of life, then there would be no occasion for change; then would none of the calamities now deplored be witnessed. It is precisely because this unit has no fixation of value under the present system—it is precisely because its value is ever changing, and because it is desirable it should have fixation—should not vary—that an alteration is called for. Let not those who support the present system because it pretends to define the unit of value, oppose the change, and ask, "what will then be the unit of value?" The definition, now inoperative to any good end, may be continued, with the certainty of doing no harm.

The circulating medium, therefore, *should not* possess intrinsic value, but should represent value. Its value will then remain equable so long as the rules which govern its issue are not departed from. It will have but one function, that of money; while intrinsic value money has two—one of money the other of merchandise. The latter, when more valuable as merchandise, will act in that character, and be withdrawn from its duties as money, and this will generally happen when its use as money is most required; and not only so, but the paper money and other money and credit facilities being based or predicated upon its possession, are acted upon in a *geometrical ratio*, and although the amount of the



intrinsic value money thus withdrawn be insignificant, the consequences may be frightful.

In respect to the precise plan which ought to be adopted it may be remarked that, if error be discarded and truth adopted, but little will remain to be accomplished. A thousand plans may offer, and the most imperfect be better than the most perfect based upon false principles. The prosperity of the community is not dependent on high prices. Prices are high or low comparatively. Constant employment, at remunerating prices, is the grand desideratum. Remuneration means prices for the products of labour corresponding with the demands made upon labour. Any thing short of it will eventually bankrupt any people, and revolutionise any government. Unless labour be remunerated, wealth and power are a shield from ruin for a period only; the final result will be the same in all cases.

In changing the system, it is advisable to interfere as little as possible with the present machinery of banking and money, consistent with the attainment of the desired object. While the remedy should be efficient, the mode of action should be nearly imperceptible. The operation should be medicinal, not surgical. *The circulating medium must possess the three qualities of safety, equability, and sufficiency.* The two first may be readily attained; experience will be a guide to the last, but that experience is in a great measure already possessed. Taking all these things into consideration, the following is suggested as one of many plans that may be adopted:—

1st.—The pound is held to represent a certain number of grains of gold. This definition of value need not be disturbed, and gold may continue a legal tender at the present standard of value.

2nd.—The Money Law of 1844, so far as it regulates the issues of the private and joint-stock banks, may be continued.

3rd.—The Law of 1844 provides that the Bank of England shall take to the Bank of Issue, Government securities valued at fourteen millions of pounds sterling, receiving in return the same amount of bank notes; and further, that it may from time to time deposit bullion, and receive also in return bank notes. This may be continued with certain limitations.

4th.—Let commissioners be appointed by Parliament to take possession of the Bank of Issue, and to hold the deposits in the name of Government, and let triple locks be placed upon these deposits, the keys being held by the Bank of England, the Parliamentary Commissioners, and the Lord Chancellor respectively. Let the notes so issued to the Bank of England be endorsed by the Government Commissioners by an official stamp or signature, and, being so endorsed or stamped, be made a legal tender. The Bank to be prohibited from issuing any notes not so stamped. Supposing the Bank of England to have fourteen millions of bullion at the present time, and allowing it to retain three millions for banking purposes, this would give twenty-five millions of bank notes, and as its minimum issue during the last thirty years has been about sixteen millions, and its maximum issue about twenty-four millions, it is supposed that twenty-five millions of notes would enable it to supply the demands of the public, and to hold in reserve an average of three millions. *The nation would thus be supplied with joint-stock and private bank notes, as settled by the Law of 1844, based upon the same security as at present, and with Bank of England notes limited in amount, on the security, first, of the Bank property; second, of the perpetual deposit of fourteen millions of Government securities and eleven millions of sovereigns; and, third, of the endorsement of Government. Security beyond all question ample for every conceivable contingency.*

5th.—This plan may be continued until the expiration of the present charter of the Bank—say 1855, during which period it will be seen whether the private and joint-stock bank circulation requires an extension, and also whether the Bank of England circulation can be beneficially increased upon a further deposit of gold. It may be well to *allow* the private and joint-stock banks to increase their issues immediately to the extent of ten per cent.; but if they issue notes under the denomination of five pounds, security should be given to the Government Commissioners for such notes, and these should have the Commissioners' endorsement or stamp, so as to give them the same safety and the same currency as the Bank of England Government notes.

This plan may be adopted at a moment's notice, without interfering with the business or occupation of any one. The banks and the public would be insensible of change in the circulating medium, or in the machinery of money. Its first effect would be to restore confidence in the value of labour and property. It would give stability to prices, and to all sound legitimate transactions. The limit of the currency being defined by the Bill of 1844, prices would not rise above the maximum range permitted by that bill. The community having a base upon which to rest calculations, and one that could not be disturbed, would enter into engagements with perfect confidence; success depending upon the merits of the undertakings and calculations, and not on the state of the money market, as at the present time. The Government revenue would gradually increase, and the Minister would witness the folly of supposing that "*revenue had found its maximum.*" *He would find that the maximum of revenue had only been determined by the minimum vice of an erroneous system; and by establishing a sinking fund with the surplus revenue he could pay off the national debt in forty-two years.* No injustice would be done to any one. General employment would be given to the producing classes, and full protection to property; while those living upon fixed incomes would be secured against any sudden rise in prices; first, by the limit placed upon the currency, and second, by the general increase of the necessaries and comforts of life through the universal employment of labour. Production and consumption would go hand in hand; constant demand and greater production would enable the producer to supply at less and less prices, and thus the fixed interest classes would obtain an equal or greater amount of comforts for the same money. This has been the object of Sir Robert Peel in his dealings with Currency, the Corn and Customs Laws, and Free Trade; an object sufficiently meritorious, but constantly thwarted by the action of the monetary system of 1819, and no human device will enable him to realise his wishes, unless that system be abolished. It ensures speculation at one time and depression at another; prices rise extravagantly or fall ruinously. Under it increased production has no chance of acting upon prices naturally, in bringing them down, while still leaving them at a remunerating rate. Speculation sends them up higher, and higher, until the bubble bursts, and then production and consumption both come down together, to take a fresh start, whenever a revival from utter disorganisation will permit. As with a young colt, tied to a stake, which, while making use of its limbs in the pride of life, gradually extends its gyrations until suddenly arrested and thrown down by the limit of its tether, in the surprise and agony of the moment, with shaken frame and bruised limbs, picks itself up and returns to the starting point, to repeat the same evolutions as often as recruited nature will permit; so with the community under the Bill of 1819. Labour hardly becomes employed, and the benefits of increased production manifested, ere the system arrests all progress, and forces the community to retrace its steps, with broken limbs, broken fortunes, and broken hearts.

The great objects of political economy, are personal security, employment, the just reward of labour, and due protection to property. These are all attainable under a wise system. Nothing can be more absurd than the supposition that full employment is not to be found for every one. There may be partial want of employment owing to peculiar circumstances, but there can be no general or continued want under wise laws. Interruptions to business, money panics, and the want of employment, are not the natural afflictions of humanity. They are for the most part the consequence of bad laws, of a false system. General want of employment, and a short supply of the necessaries and comforts of life are altogether incompatible. The doctrine of "over-supply" in excuse of the want of employment, while three-fourths of the community are destitute of the necessaries of life, is too puerile for comment; yet it is the doctrine of the age, and under its cloak have the statesmen and political economists of this generation, for the most part, sought to shelter their own imbecility, in respect to this question.

Under the proposed system, bank notes would form the *basis* of monetary engagements, but gold would continue to circulate. If at any time the currency should stimulate prices so as to occasion the exportation of gold, then the aggregate amount of money being reduced to the extent of such exportation, there would be a tendency in prices to fall to a corresponding extent, and thus the equability and fixation indicated by the limitation of the amount of paper money, would be maintained. Gold in this case would take the top of the tide, flowing out and in, without deranging the mass of the circulating medium. It could then be spared without essential detriment, and without as at present, upheaving in its movements the whole superstructure of money. No doubt the currency could be kept more equable, and more perfect without gold, but its use to this extent may be conceded to the *prejudices* of society. On the proposed plan a large amount could be spared on the occasion of a short harvest without material injury to the trade and well-being of the country, to be again brought back when the course of trade should render its return profitable. International transactions would rapidly increase, and foreign trade would be conducted on a much safer and broader basis than at present. *It is not a reduction of the standard that is required, but an equable supply of money, the aggregate amount being graduated to the obligations of the community. Undoubtedly there would be occasionally individual overtrading, but the effect in the main would be no worse than that of individual over-eating.* The erring parties would suffer, but experience would teach them to avoid a repetition of their errors. Individual ruin in that case would no more interrupt general prosperity, than individual illness and death from over-eating does the general increase of the species.

The present is a most favourable opportunity for the change; it would establish confidence, and give ease and contentment to all classes; it would more effectually pacify and restore order to Europe than thousands of armies: and while the Bank of England is glutted with gold, none could say the measure was adopted through necessity. Moreover, it would, without injury to any interest, give full play and vigorous



action to the system of free trade. *To defer action until another panic arises and the Bank loses a great part of its bullion, will be madness; or to suppose that similar events will not again occur, and within a moderate period, requires a greater degree of credulity than falls to the lot of most men.*

I am, Sir, very respectfully,

Your obedient Servant,

JUSTITIA.

*Birmingham, July 10th*, 1848.

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The following letter, written by me, appeared in the *Midland Counties Herald* of January 4, 1849. The discovery of gold in California had at that time assumed the character of a fixed fact. It was then held that if the doctrines of the Birmingham Economists were true, a great increase in the supply of gold would occasion prosperity. They were willing to abide the issue, and consequently proclaimed the prosperity. All now admit the prosperity, but some attribute it to free trade measures, while others claim the merit for the Bank Act of 1844, although it is certain that trade could not have been supported, and that the existing currency system must have broken down, but for the increased supply of gold.

The tone of this letter was purposely pitched in a "high key," in a generous spirit towards the bullionists; rejoicing in the prosperity, although obtained through a medium which they might *call* theirs. It was as well known at that time as it is at the present, that under the existing monetary system an increase in the supply of gold would raise prices, and eventually cause a demand for gold for exportation, and possibly panic; but it was not supposed that Europe would *absorb* gold so rapidly as has been the case, and occasion a drain upon the Bank so soon. The drain of 1856, however, has no doubt been accelerated by the war, an event forming an exception to any calculation then made, Nor has the Pacific Railway made the progress anticipated. That is owing partly to the supposed want of constitutional power of the general government of the United States to effect internal improvements. It will no doubt be constructed presently, and will then take the passenger traffic from Europe to China and Australia, unless a Railway be carried across the possessions of British North America to the Pacific Ocean.

Shortly after the date of this letter the Ministry, it was said, seriously intended to bring in a bill to release the Bank from the obligation to buy gold, the only means which the laws provide for any supply of money. I promptly and earnestly denounced the measure, in a letter published in the Bankers' Circular, London, and from some cause or other the intention was abandoned. About two years after the *Times* came out with its celebrated declaration to the same effect, taking the same view that I had done, and using the same arguments.

*To the Editor of the Midland Counties Herald.*

SIR,

For many a long year the Birmingham Economists have been looked upon as croakers—prophets of evil; in fact, they have often predicted adversity, seldom prosperity. That this has not been owing to diseased imaginations, but to the times in which they have lived, is amply verified by the fulfilment of their predictions. They were becoming as unpopular as the truth-loving physican who informs his patients they cannot recover. Let us, for once, change our note. Let us sing a pleasant song of things often dreamed of, but seldom witnessed by waking eyes. If we take our pitch a little too high, if we get a little out of tune, it must be excused; we are out of practice. For thirty years our harps have hung upon the willows. How could we sing when our children were oppressed, when there was none to help or comfort the child of labour, the child of misfortune!

The generation has been sacrificed to an idea—Gold! Gold! nothing but Gold! Corn *would* not be grown without Gold! Bread *would* not be bought without Gold! Here the humblest labourer and the proudest aristocrat found one common bond of brotherhood; both united in making Gold the one thing needful—the only medium for exchanging the labour of the one for the wealth of the other. The miserable "Americans had nothing wherewith to pay their debts: they had no gold; they had only corn and cotton rotting upon their wharves." Industry had become valueless; labour was an excrescence upon society. In gold all value centred; the statesman, the author, the plebeian, and the pauper, had all become to look upon gold as the true philosopher's stone. The history of the period confirms the truth of these remarks. The homage universally paid to gold would nearly induce one to abjure humanity. The substantial interests of mankind have been set at naught. Property has demanded its bond and double its bond, while labour applauded and enforced the demand. Witness the result. Deep, shameful poverty and destitution debase the millions, and crime, anarchy, and revolution become the playthings, the amusements of the age.



There is no greater truth than this under heaven; and he who cannot see it, and understand it, is dead to history—dead to reason.

At a time while the social system of Europe appeared in danger of breaking up; while the boasted civilisation of the nineteenth century threatened to result in the overthrow of all social institutions; when hope had nearly fled; it has pleased the ALMIGHTY, in his great goodness, to release man from the penalty of his own ignorance and obstinacy, by opening to him the Gold of California! What if the blessing be brought to light and dispensed through the agency of a Yankee pedlar? Greater blessings have been dispensed through apparently humbler means.

From authentic accounts which may be relied upon, it would appear that there is gold enough in California to supply the world with an ample medium of exchange in connection with such other appliances as the laws allow. One hundred ships were fitting in the ports of the United States at the last accounts for the gold regions, and probably before the end of the year fifty thousand persons will be actively employed in procuring gold. Fifty millions of dollars' worth may be obtained the current year; possibly double that quantity. Expectation may be disappointed, but official data warrant the calculation.

Taking it then for granted that this expectation will, in a measure, be realised; the mind of man is hardly able to appreciate the results that will follow. LABOUR BECOMES EMANCIPATED. The fetters imposed upon it are burst asunder. The withering deadly influence of that system which had blighted its energies, destroyed its prospects is gone. Hope, the bright harbinger of heaven, the spring from which all exertion proceeds; hope which had fled the human heart, leaving it a dreary blank with hardly a human pulsation, again returns to warm, animate, and cheer man on. Let him down on his knees and thank GOD, and then with uplifted frame walk abroad in the consciousness of being a freeman and not a pauper slave.

Not that gold was in any degree necessary; not that the community and the world at large could not have done as well without it; "but because as a man thinketh so is he." If he will not sow, nor reap, nor eat without gold, then it becomes in reality a necessary; as much so as bread or water.

The immediate effect of this finding of gold will be the restoration of confidence. From this moment the Bank of England Directors are divested of fear of a drain for many a long year. There will be no further drain of gold *to* America, no further drain *from* America, that will distress the banks there, so as to destroy trade, at least in our day.

Trade will revive, order will be restored, production and consumption will go hand-in-hand; the revenue will increase, while the burthen of taxation and of debt will gradually diminish.

Although the debtor interest will thus benefit, the creditor interest will not suffer, Increased comforts, with increased security, will amply compensate for an advance in prices. Moreover, the creditor interest has numerous children, the younger sons of younger brothers, these will best thrive in a prosperous community.

The finding of these gold mines is of more importance than any previous event for 300 years. The prosperity of Queen Elizabeth's reign was mainly owing to the stimulus given to commerce by the increase of the precious metals; but the field now to be acted upon is vastly greater than during that period. Within a few years there will be a railroad from the Atlantic Ocean, across the great American Continent, through the gold regions, to the Bay of San Francisco, said to be the finest harbour in the world. The people of New York and San Francisco will then communicate by telegraph in a few minutes, and the mails will be taken to Canton on the one side in fourteen days, and to London on the other in nine days, so that intelligence may be conveyed from the one to the other in the short period of twenty-three days.

One thing is to be guarded against, viz.:—A bill will presently be brought in to release the Bank of England from the obligation to purchase gold at the present fixed price. This must be resisted; we must all raise our voices against it, unless the Mint be thrown open to the public to coin the gold that may be tendered. The community must not perish for want of coin in the midst of gold, nor must its price be lowered. We have a clear distinct definition of "what's a pound?" from the highest authority. It is a "certain number of grains of gold; nothing more and nothing less." Property has accepted the definition; it has demanded its bond, both the pound of flesh and the blood; let it have its due; but nothing more. The answer to "what's a pound?" has become English law. Let the people take care that the law be not changed.

We, the Birmingham Economists, proclaim the prosperity, and we bespeak it, in evidence of the correctness of our doctrines, carried out by Providence instead of man. Let no puerile, whining sycophant, come after, and claim it as the fruit of this measure or of that measure; it is God's own doing, and man must not have the praise.

Very respectfully yours,

*Birmingham, January 1st, 1849.* JUSTITIA.



## AN AMPLE MEDIUM OF EXCHANGE BETWEEN LABOUR AND PROPERTY,

### THE MOST ESSENTIAL ELEMENT IN THE PROSPERITY OF A NATION.

If the fruits of industry be desirable, then an ample supply of a medium of exchange between labour and property to stimulate and sustain industry must unquestionably be so. The grand element in the supply of human wants is labour; it creates and re-creates; no limit can be assigned to its employment. The more labour accomplishes, the more its objects are multiplied. As with learning, which opens new fields of research at every step, so with labour; its application does but widen its field of action. Man having passed from the natural to the social state, and having subjected himself to laws which reject barter, finds a medium of exchange between labour and property indispensable. While this medium is suited to the obligations of society, employment is found for all. Expand it simultaneously with increasing interchanges, and the incentives to industry are increased, the inventive faculties stimulated, the wilderness is made to blossom, and labour being freed from the fetters which limited its action, seeks to connect oceans and continents, and through the civilisation of all mankind, to establish universal brotherhood. Wherever a full, free, efficient medium of exchange

"Cheers the inventive mind,
"Science and art their high perfection find;
"Mechanic power her giant hand applies,
"Fleets ride the ocean, mighty cities rise!"

There property and labour alike rejoice in the general prosperity.

On the other hand, reduce the medium of exchange a degree below the amount required by existing obligations, and how is the scene changed! Sadness comes over all branches of industry. Reduce it still further, then the want of employment becomes universal; lamentation is confined to no class; despair prevades the entire community; capitalist and labourer alike bewail the general ruin.

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