

**THE DEPRECIATION OF THE
PAPER CURRENCY OF
GREAT BRITAIN PROVED,
PP. 1-194**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649560936

The Depreciation of the Paper Currency of Great Britain Proved, pp. 1-194 by The Earl of Lauderdale

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Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

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BY
8th James Maitland
THE EARL OF LAUDERDALE.

London :

PRINTED FOR LONGMAN, HURST, REES, ORME, AND BROWN, PATER-
NOSTER-ROW; J. BUDD, FLEET-MALL;
AND CONSTABLE AND CO. EDINBURGH.

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IN this publication, the author has carefully avoided all discussion of the fittest means of redressing the grievance, the existence of which he has endeavoured to prove.

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For, in his opinion, it would be a ridiculous waste of time and of labour, to explain the nature of the remedies most likely to be efficacious,—to a people who are at present so much misled by the folly, or deceived by the arts, of those to whom the government of the country is intrusted, as generally to regard the symptoms of their disorder as conclusive evidence of the vigorous state of their health.

But, whenever the public have recovered from this delusion, and appear to be impressed with a just sense of the perilous state in which they are placed, his efforts will not be wanting in endeavouring to suggest the mildest, and the most

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certain means of restoring our circulation to its former salutary state, the benefits of which have been so long and so invariably experienced in this commercial country.

In the mean time, he must say, that he neither thinks this fortunate change will follow as a matter of course, from our enjoying the blessings of Peace;—nor does he believe that it can be effected by the unaided efforts of the Directors of the Bank of England.

He conceives the interposition of parliament, in a variety of ways, to be necessary;—and the great question must be, how an effectual interposition for removing the evil, can be directed in the manner best calculated to prevent a violent shock, from the too sudden sensation of those latent, but daily increasing calamities, which, if not arrested in their progress, must terminate in that convulsive change of property, and consequently of power, that has justly been denominated the ruin of a country.

THE
DEPRECIATION
OF OUR
PAPER CURRENCY
PROVED, &c.

IT has been universally admitted, throughout all the numerous publications, to which the Report of the Select Committee of the House of Commons, appointed to inquire into the high price of gold bullion has given rise, that for a length of time a difference of value has existed betwixt coin or gold and the Notes of the Bank of England, amounting to fifteen or sixteen per cent. and more recently, in the opinion of many, exceeding twenty per cent.

Attempts have, indeed, been made to establish a distinction betwixt coin and gold, and to assert that this difference in value is only in reference to gold in bullion, whilst Bank Notes remain in every respect equivalent to the coin of the realm; but this opinion cannot be maintained, for the real value of coin depends, not on a piece of gold being called a guinea, or a piece of silver a shilling, but on the quantity of pure gold or silver it contains;

and we know by experience, that the price of bullion, and the state of exchange with foreign countries; both before and after the re-coinage in 1772, concurred in shewing that our coin passed for its value by weight, without reference to its value in tale.

At all events, such a distinction is unauthorized under the law, as it now stands, because the guineas issued from the mint are, by statute, deprived of the character of coin, if reduced in weight one grain and thirty eighty-nine parts of a grain; and since the recent trial of *De Yonge* it must appear perfectly nugatory, for, on that occasion, notes were proved to bear to coin the same proportion in value they did to gold, whilst it was decided, that the advantage derived from the sale of coin for a higher denominative value in notes, was no illegal benefit.*

* Lord Castlereagh, following the opinion of many others who have written on the subject, has stated, p. 13 in his Speech on the Report of the Bullion Committee, that "there is no just ground to consider the note as depreciated; both the note and the coin were intended for internal circulation, and for internal circulation alone: the contingent but illegal profit derived from diverting the coin from its legitimate purpose, is a species of value, which the Bank Paper never was, in equity or in fact, intended to represent. It is only, through the operation of causes destructive of the established system of our standard coinage, that this advantage can attach to coin over Bank Paper. To derive such an illicit benefit is an abuse; and so far as it may operate at this moment to occasion a disparity of value between coin and notes, the difference is very incorrect."

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Indeed it is surprising that (before the Act of last session) the legality of selling Bank Notes for coin should have been seriously questioned in a court of law; for in the reign of William III. Bank Notes publicly circulated at a discount as against coin, and though the amount of that discount was as openly stated in the newspapers, as the value of government securities, no doubt ever occurred to the eminent lawyers of that day, on the legality of the transaction.

Without, therefore, entering into further details to repel this groundless distinction, it may be considered as universally admitted, that there has existed, within these last two years, a difference of value betwixt gold or coin and Bank Notes, which has increased rapidly, and now amounts to upwards of twenty per cent.

This circumstance might, perhaps, be deemed sufficient of itself, to authorize the opinion, that the paper of the Bank of England is depreciated;

ly described under the term of "A depreciation of Bank Paper."

But this doctrine, which falsely assumes that the value of coin can be regulated by law, by means short of a maximum on the price of commodities, is evidently founded on a misunderstanding of the law; for in the case of De Yonge it was declared to be the opinion of all the judges present, "that the exchange described on this record, that is, of guineas for Bank Notes, taking such guineas at a higher value than they were current for, under the king's proclamation, was not an offence against the 5th and 6th Edward VI. upon which the indictment was founded."

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for though it is true, that a variation in the comparative value of any two commodities, must, when unexplained, give rise to a doubt, whether the change proceeds from an increase in the value of the one, or a diminution in the value of the other; yet it does not appear that such a doubt can arise from a difference betwixt the value of paper and of the coin it represents.

Bank Notes, when differing in value with what they engage to pay on demand, cannot with accuracy be considered as a case of variation in the value of two several commodities. They are only engagements to deliver a certain species of commodity, and do not in themselves possess the character of a commodity.—A Note of the Bank of England, promising to pay one pound sterling on demand, being in truth an obligation to furnish the person who presents it, with a portion of gold certified by the mint stamp to contain one hundred and thirteen grains, troy weight, of pure gold, or a portion of silver, certified, in like manner, to contain seventeen hundred and eighteen grains and seven-tenths of a grain, troy weight, of pure silver; for the former is the quantity of gold that forms a pound sterling by the regulation in 1601, and the latter the quantity of silver forming a pound sterling, as fixed in 1728.*

* The quantity of standard gold and silver in a pound sterling is, of the former 123.273 grains, of the latter 1858.060 grains.