

principles relate to the *advantages* and *disadvantages* which severally attend them. The principal advantage in common to all, proceeds from the union of private stocks; consequently, the statesman ought to protect companies so far only as this union promotes the end for which they were instituted: but whenever he finds that the strength of united stocks is made use of to oppress the unincorporated industrious, he ought to take these under his protection, by providing an outlet for *their* industry, by which he will frustrate any attempt of turning that into a monopoly, which was intended only to extend trade and industry.

The second advantage is peculiar to such companies as trade to foreign parts under exclusive privileges. By these a state reaps the benefit of keeping prices low in foreign markets; because the company is freed from the competition of their own countrymen. But the inconvenience resulting in consequence of this, is, that as the company *buys*, so they also *sell* without competition. The method, therefore, of preventing the bad consequence of this, is, for the state constantly to be at the great expence of every such settlement in favour of foreign trade; and to grant the exclusive privilege in favour of commerce in general, and not in the common way, as an indemnification to particular people for the expence of making the settlement, or from other political considerations. When an exclusive privilege is granted upon such principles, the state may retain a power of inspection into all their affairs, and may open the doors of the company to new subscribers, in proportion to the demand for the trade, in place of allowing the company to swell their stock with borrowed money. By such means frauds are prevented; a foundation is laid for several mercantile operations, which advance the prosperity of the state, without hurting the company; and jealousy is taken away, by preventing the too close connection between the members of it, when few in number, from degenerating into an oppressive and scandalous monopoly.

END OF THE SECOND BOOK.

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A N  
I N Q U I R Y  
I N T O T H E  
P R I N C I P L E S O F P O L I T I C A L O E C O N O M Y .

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B O O K I I I .  
O F M O N E Y A N D C O I N .

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P A R T I .  
T H E P R I N C I P L E S O F M O N E Y D E D U C E D , A N D  
A P P L I E D T O T H E C O I N O F G R E A T B R I T A I N .

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VOL. I.

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### ADVERTISEMENT.

THIS book, which treats of money, contains such variety of matter, that I have found an advantage in dividing it into two parts. In the first, the principles are deduced and applied principally to the domestic circumstances of Great Britain in the year 1760, when this book was written. In the second, the interests of foreign trade, and state of coin in the two great commercial nations with whom we are in correspondence are taken in.

Instead of a chapter of recapitulation at the end of the book, I found here that a full table of contents would give the reader a general view of the subject, and serve the purpose of recollection better.

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I N Q U I R Y  
I N T O T H E  
P R I N C I P L E S O F P O L I T I C A L O E C O N O M Y .

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P A R T I .  
T H E P R I N C I P L E S O F M O N E Y D E D U C E D A N D A P P L I E D  
T O T H E C O I N O F G R E A T B R I T A I N .

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### I N T R O D U C T I O N .

I N an inquiry like this, where, at almost every step, we find it branching out into new relations, which lead to different chains of consequences, it is of use to have recourse to every expedient for connecting the whole together.

For this purpose, an introductory chapter at the beginning of a new subject seems necessary.

The reader will have observed that the last chapters of the preceding book (those I mean which treat of the vibration of the balance of wealth and of circulation) have been writ with a view to introduce the subject of money.

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I thought

I thought it better to anticipate some principles by connecting them directly with those of trade, than to introduce this part of my subject as a new treatise.

The assistance our memory receives from such a distribution must compensate the inconvenience of a few repetitions.

I have, in the last chapters of the second book here referred to, had occasion to mention, and slightly to point out some essential differences between coin and paper money. I have shewn the great usefulness of the latter in supporting circulation.

Although, in giving the definition of paper money in the twenty sixth chapter of the second book, I mentioned credit as being a term synonymous with it; yet this was done only for the sake of simplifying our ideas: one of the best expedients for casting light upon an intricate subject. It is now requisite to point out the difference between them.

Symbolical or paper money is but a species of credit: it is no more than the measure by which credit is reckoned. Credit is the basis of all contracts between men: few can be so simultaneous as not to leave some performance, or prestation, as the civilians call it, on one side or other, at least for a short time, in suspense. He therefore who fulfils his part, gives credit to the party who only promises to fulfil, and according to the variety of contracts, the nature of the prestations, or performances, therein stipulated, and the security given for fulfilling what is not performed, credit assumes different forms, and communicates to us different ideas. Paper credit or symbolical money, on the other hand, is more simple. It is an obligation to pay the intrinsic value of certain denominations of money contained in the paper. Here then lies the difference between a payment made in intrinsic value, and another made in paper. He who pays in intrinsic value, puts the person to whom he pays in the real possession of what he owed; and this done, there is no more place for credit. He who pays in paper puts his creditor only in possession of another person's obligation to make

make that value good to him: here credit is necessary even after the payment is made.

Some intrinsic value or other, therefore, must be found out to form the basis of paper money: for without that it is impossible to fix any determinate standard-worth for the denominations contained in the paper.

I have found no branch of my subject so difficult to reduce to principles, as the doctrine of money: this difficulty, however, has not deterred me from undertaking it. It is of great consequence to a statesman to understand it thoroughly; and it is of the last importance to trade and credit, that the money of a nation be kept stable and invariable.

To circumscribe combinations as much as the nature of this subject will admit, I have in the first part adhered to a deduction of general principles, taking by way of illustration, as I go along, the present state of the British currency.

In the second part, I shall examine the effects of turning coin into a manufacture, by superadding the price of fabrication to its value; and point out the consequences of this additional combination upon exchange, and the interest of trading nations.

CHAP. I.

Of Money of Account.

What money is. I. THE metals have so long performed the use of money, that money and coin are become almost synonymous, although in their principles they be quite different.

The first thing therefore to be done in treating of money, is, to separate two ideas, which, by being blended together, have very greatly contributed to throw a cloud upon the whole subject.

Definitions. Money, which I call of account, is no more than an arbitrary scale of equal parts, invented for measuring the respective value of things vendible.

Money of account, therefore, is quite a different thing from money-coin, which is price, and might exist, although there was no such thing in the world as any substance which could become an adequate and proportional equivalent, for every commodity.

The subject therefore of the first chapter shall be, 1. To point out the principles which determine the value of things; 2. The use of an invariable scale to measure their value; 3. How the invention of money of account is exactly adapted for measuring the value on the one hand, and measuring the price on the other; and 4. How it preserves itself invariable amidst all the fluctuations, not only of the value of things themselves, but of the metals which are commonly considered as the measures of their value.

Money, a scale for measuring value. 1<sup>mo</sup>. Money of account, which I shall here call money, performs the same office with regard to the value of things, that degrees, minutes, seconds, &c. do with regard to angles, or as scales do to geographical maps, or to plans of any kind.

In all these inventions, there is constantly some denomination taken for the unit.

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In angles, it is the degree; in geography, it is the mile, or league; in plans, the foot, yard, or toise; in money, it is the pound, livre, florin, &c.

The degree has no determinate length, so neither has that part of the scale upon plans which marks the unit: the usefulness of all those inventions being solely confined to the marking of proportion.

Just so the unit in money can have no invariable determinate proportion to any part of value, that is to say, it cannot be fixed to any particular quantity of gold, silver, or any other commodity whatsoever.

The unit once fixed, we can by multiplying it, ascend to the greatest value; and when we descend below the subaltern divisions of this unit, we have the assistance of measures and weights, which render the operation easy. Thus in England, where a farthing is the lowest denomination of money, the grains of wheat are bought by measure, and cherries by the pound.

II. The value of things depend upon the general combination of many circumstances, which however may be reduced to four principal heads: Principles which determine the value of things.

1<sup>mo</sup>. The abundance of the things to be valued.

2<sup>do</sup>. The demand which mankind make for them.

3<sup>io</sup>. The competition between the demanders; and

4<sup>to</sup>. The extent of the faculties of the demanders. The function therefore of money is to publish and make known the value of things, as it is regulated by the combination of all these circumstances.

This proposition I think is self-evident, and it is susceptible of a thousand proofs; I shall only mention one. Prices not regulated by the quantity of money.

Were there a determinate proportion between certain quantities of gold and silver, and certain quantities of other things vendible, I do not see how prices could vary while the proportion of quantity to quantity between metals and things remained the same.

But

But if the desires of men to possess any particular commodity and the competition between them to acquire it be capable to raise a thing, formerly of the lowest value, to any height, and if the absence of these circumstances can debase a thing formerly of great value, to the lowest rate, is it not evident, that the *price*, that is, the gold and silver people possess (even allowing that it may upon many occasions promote a competition among them) can never be the measure of their fancies or caprices, which are what constitutes the value of things.

Substances are valued either according to their weight, their superficial measure, the measure of their bulk, or by the piece. These may be considered as the four classes of vendible corporeal commodities.

All the species of each class according to their different qualities of goodness, may be reduced to a proportion of value. A pound of gold, of lead, of different grains, of different butters, or of what you will, valued by the pound, may at any precise time, be reduced to a scale of proportional values, which the wants, demands, competition and faculties of buyers and sellers, keep in a perpetual fluctuation.

As far therefore, as an increase of the metals and coin shall produce an increase of demand, and a greater competition than before, so far will that circumstance influence the rise of prices, and no farther.

The value of commodities therefore, depending upon a general combination of circumstances relative to themselves and to the fancies of men, their value ought to be considered as changing only with respect to one another; consequently, any thing which troubles or perplexes the ascertaining those changes of proportion by the means of a general, determinate and invariable scale, must be hurtful to trade and a clog upon alienation. This trouble and perplexity is the infallible consequence of every vice in the policy of money or of coin.

III. II.

But by the relative proportion between commodities and the wants of mankind.

III. It may here be demanded what necessity there is to have recourse to such a metaphysical deduction upon so familiar a subject. Do we not see every where, that things are valued by silver and gold coin, and that there is no occasion to reject them at this time, in order to introduce an imaginary scale.

Necessity of distinguishing between money and price.

I answer, that nothing but necessity obliges me to introduce this imaginary scale, and that not with any intention to reject the service of the metals in performing the office of a measure, but as an assistance to our understanding for comprehending the doctrine of money, and for rightly distinguishing the ideas which are daily proposed to us by those who write and speak concerning its theory.

Could gold and silver coin exactly perform the office of money, it would be absurd to introduce any other measure of value; but there are moral and physical incapacities in the metals, which prevent their performing the function of a scale: and the common opinion being, that there are no such incapacities, makes it necessary to expose them in the clearest light, by shewing the exact difference between *price* (that is coin) considered as a measure, and *price* considered as an equivalent for value.

The inconsistencies which follow, when we depend blindly upon the infallibility of the metal's discharging this double office, tend to confound the whole system of our ideas concerning those matters.

The moral as well as physical incapacities inherent in the metals, which prevent their performing exactly the office of money, shall be afterwards pointed out. I must at present explain a little farther the nature of this ideal money.

IV. Money, strictly and philosophically speaking, is, as has been said, an ideal scale of equal parts. If it be demanded what ought to be the standard value of one part? I answer, by putting another question; What is the standard length of a degree, a minute, a second?

Money of account what and how conceived.

It has none, and there is no necessity of its having any other than what by convention mankind think fit to give it. But so soon

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as one part becomes determined, by the nature of a scale, all the rest must follow in proportion.

The first step being perfectly optional, people may adjust one or more of those parts to a precise quantity of the precious metals; and so soon as this is done, and that money becomes realized, as it were, in gold and silver, then it acquires a new definition; it then becomes the *price, as well as the measure of value.*

It does not follow from this adjusting the metals to the scale of value, that they themselves should therefore become the scale, as any one must readily perceive.

But in former times, before the introduction of commerce, when mankind had less occasion to measure value with a scrupulous exactness, the permanent nature of the metals rendered them sufficiently correct, both to serve as the scale, and as the price in every alienation. Since the introduction of commerce, nations have learned the importance of reducing their respective interests and debts, to the nicest equations of value; and this has pointed out the inconvenience of admitting the metals, as formerly, to serve both as the measure and the price in such operations.

Just so geographers and astronomers were long of opinion, that a degree of the equator was a determinate length to measure every degree of latitude upon the globe.

They then considered the earth as a sphere; and no great inconvenience was found to result from this supposition. But as accuracy made a progress, that measure was found to be incorrect. Degrees of latitude are now found to be of different lengths in different climates; and perhaps in time, it will be found that no two degrees of any great circle described upon the globe, are in a geometrical equality.

That money, therefore, which constantly preserves an equal value, which poises itself, as it were, in a just equilibrium between the fluctuating proportion of the value of things, is the only permanent and equal scale, by which value can be measured.

Of this kind of money, and of the possibility of establishing it, <sup>Examples</sup> we have two examples: the first, among one of the most know- <sup>of it.</sup> ing; the second, among one of the most ignorant nations of the world. The bank of Amsterdam presents us with the one, the coast of Angola with the other.

A florin banco has a more determinate value than a pound of fine gold, or silver; it is an unit which the invention of men, instructed in the arts of commerce, have found out.

This bank money stands invariable like a rock in the sea. <sup>AC- Bank mo-</sup> <sup>ney.</sup> According to this ideal standard are the prices of all things regulated; and very few people can tell exactly what it depends upon. The precious metals, with their intrinsic value, vary with regard to this common measure, like every other thing. A pound of gold, a pound of silver, a thousand guineas, a thousand crowns, a thousand piastres, or a thousand ducats, are sometimes worth more, sometimes worth less of this invariable standard; according as the proportion of the metals of which they are made vary between themselves.

No adulterations in the weight, fineness, or denominations of coin have any effect upon bank money. These currencies which the bank looks upon as merchandize, like every other thing, are either worth more or less bank money, according to the actual value of the metals they are made of. All is merchandize with respect to this standard; consequently, it stands unrivalled in the exercise of its function of a common measure.

The second example is found among the savages upon the Afri- <sup>Angola</sup> <sup>money.</sup> can coast of Angola, where there is no real money known. The inhabitants there reckon by *macoutes*; and in some places this denomination is subdivided into decimals, called *picces*. One *macoute* is equal to ten *picces*. This is just a scale of equal parts for estimating the trucks they make. If a sheep, e. g. be worth 10, an ox may be worth 40, and a handful of gold dust 1000.

Money of account, therefore, cannot be fixed to any material substance, the value of which may vary with respect to other things. The operations of trade, and the effects of an universal circulation of value, over the commercial world, can alone adjust the fluctuating value of all kinds of merchandize, to this invariable standard. This is a representation of the bank money of Amsterdam, which may at all times be most accurately specified in a determinate weight of silver and gold; but which can never be tied down to that precise weight for twenty-four hours, any more than to a barrel of herrings.

## C H A P. II.

### *Of Artificial or Material money.*

Usefulness  
of the pre-  
cious metals  
for making  
of money.

I. FROM the infancy of the world, at least as far back as our accounts of the transactions of mankind reach, we find they had adopted the precious metals, that is silver and gold, as the common measure of value, and as the adequate equivalent for every thing alienable.

The metals are admirably adapted for this purpose; they are perfectly homogeneous: When pure, their masses, or bulks, are exactly in proportion to their weights: No physical difference can be found between two pounds of gold, or silver, let them be the production of the mines of Europe, Asia, Africa, or America: They are perfectly malleable, fusible, and suffer the most exact division which human art is capable to give them: They are capable of being mixed with one another, as well as with metals of a baser, that is, of a less homogeneous nature, such as copper. By this mixture they spread themselves uniformly through the whole  
mass

mass of the composed lump, so that every atom of it becomes proportionally possessed of a share of this noble mixture; by which means the subdivision of the precious metals is rendered very extensive.

Their physical qualities are invariable; they lose nothing by keeping; they are solid and durable; and though their parts are separated by friction, like every other thing, yet still they are of the number of those which suffer least by it.

If money, therefore, can be made of any thing, that is, if the proportional value of things vendible can be measured by any thing material, it may be measured by the metals.

II. The two metals being pitched upon as the most proper sub-  
stances for realizing the ideal scale of money, those who under-  
take the operation of adjusting a standard must constantly keep in  
their eye the nature and qualities of a scale, as well as the prin-  
ciples upon which it is formed.

Adjusting a  
standard,  
what?

The unit of the scale must constantly be the same, although realized in the metals, or the whole operation fails in the most essential part. This realizing the unit is like adjusting a pair of compasses to a geometrical scale, where the smallest deviation from the exact opening once given must occasion an incorrect measure. The metals, therefore, are to money what a pair of compasses is to a geometrical scale.

This operation of adjusting the metals to the money of account, implies an exact and determinate proportion of both metals to the money-unit, realized in all the species and denominations of coin, adjusted to that standard.

The smallest particle of either metal added to, or taken away from any coin, which represents certain determinate parts of the scale, overturns the whole system of material money. And if, notwithstanding such variation, these coins continue to bear the same denominations as before, this will as effectually destroy their usefulness in measuring the value of things, as it would overturn  
the

the usefulness of a pair of compasses, to suffer the opening to vary, after it is adjusted to the scale representing feet, toises, miles, or leagues; by which the distances upon the plan are to be measured.

Debasing and raising a standard, what.

III. Debasing the standard is a good term; because it conveys a clear and distinct idea. It is diminishing the weight of the pure metal contained in that denomination by which a nation reckons, and which we have called the money-unit. Raising the standard requires no farther definition, being the direct contrary.

The alteration of a standard, how to be discovered.

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

Of alloy.

V. Artists pretend, that the precious metals, when absolutely pure from any mixture, are not of sufficient hardness to constitute a solid and lasting coin. They are found also in the mines mixed with other metals of a baser nature, and the bringing them to a state of perfect purity occasions an unnecessary expence. To avoid, therefore, the inconvenience of employing them in all their purity, people have adopted the expedient of mixing them with a *determinate proportion* of other metals, which hurts neither their fusibility, malleability, beauty, or lustre. This metal is called *alloy*, and

and being considered only as a support to the principal metal, is accounted of no value in itself. So that eleven ounces of gold, when mixed with one ounce of silver, acquires, by that addition, no augmentation of value whatever.

This being the case, we shall, as much as possible, overlook the existence of alloy, in speaking of money, in order to render language less subject to ambiguity. I must except such cases, where the considering the mass of the compound metal, according to its weight, can be accompanied with no inconvenience.

### CHAP. III.

#### *Incapacities of the Metals to perform the office of an invariable measure of value.*

I. **W**ERE there but one species of such a substance as we have represented gold and silver to be: were there but one metal possessing the qualities of purity, divisibility, and durability; the inconveniences in the use of it for money would be fewer by far than they are found to be as matters stand.

They vary in their relative value; to one another.

Such a metal might then, by an unlimited division into parts exactly equal, be made to serve as a tolerable steady and universal measure. But the rivalry between the metals, and the perfect equality which is found between all their physical qualities, so far as regards purity, and divisibility, render them so equally well adapted to serve as the common measure of value, that they are universally admitted to pass current as money.

What is the consequence of this? That the one measures the value of the other, as well as that of every other thing. Now the moment any measure begins to be measured by another, whose proportion:

All measures ought to be invariable.



proportion to it is not physically, perpetually, and invariably the same, all the usefulness of such a measure is lost. An example will make this plain.

A foot of measure is a determinate length. An English foot may be compared with the Paris foot, or with that of the Rhine; that is to say, it may be measured by them; and the proportion between their lengths may be expressed in numbers; which proportion will be the same perpetually. The measuring the one by the other will occasion no uncertainty; and we may speak of lengths by Paris feet, and be perfectly well understood by others who are used to measure by the English foot, or by the foot of the Rhine.

Consequences when they vary.

But suppose that a youth of twelve years old takes it into his head to measure from time to time, as he advances in age, by the length of his own foot, and that he divides this growing foot into inches and decimals: what can be learned from his account of measures? As he increases in years, his foot, inches, and subdivisions, will be gradually lengthening; and were every man to follow his example, and measure by his own foot, then the foot of a measure now established would totally cease to be of any utility.

This is just the case with the two metals. There is no determinate invariable proportion between their value; and the consequence of this is, that when they are both taken for measuring the value of other things, the things to be measured, like the lengths to be measured by the young man's foot, without changing their relative proportion between themselves, change however with respect to the denominations of both their measures. An example will make this plain.

Let us suppose an ox to be worth three thousand pounds weight of wheat, and the one and the other to be worth an ounce of gold, and the ounce of gold to be worth exactly fifteen ounces of silver: If the case should happen, that the proportional value between gold and silver should come to be as 14 is to 1, would not the ox, and con-

consequently the wheat, be estimated at less in silver, and more in gold, than formerly? I ask farther; if it would be in the power of any state to prevent this variation in the measure of the value of oxen and wheat, without putting into the unit of their money less silver and more gold than formerly.

If therefore any particular state should fix the standard of the unit of their money to one species of the metals, while in fact <sup>Defects of a silver standard.</sup> both the one and the other are actually employed in measuring value; does not such a state resemble the young man, who measures all by his growing foot. For, if silver, for example, be retained as the standard, while it is gaining upon gold one fifteenth additional value; and if gold continues all the while to determine the value of things as well as silver, it is plain that, to all intents and purposes, this silver measure is lengthening daily, like the young man's foot, since the same weight of it must become every day equivalent to more and more of the same commodity; notwithstanding that we suppose the same proportion to subsist, without the least variation, between that commodity and every other species of things alienable.

After having exposed the matter in this light, I think it can hardly, with reason, be urged, that notwithstanding it be admitted that gold and silver may change their proportion of value with regard to one another, yet still this does not prevent silver from remaining the standard, without any inconvenience; for the following reasons.

*1mo.* Because, when it is considered as a standard, it never ought to be looked upon as changing its value with regard to gold; but that gold ought to be considered as changing its value with regard to silver.

*2do.* Because being the measure itself, it is absurd to consider it as the thing measured; that therefore it retains all the requisites of an invariable scale; since it measures all things according to the proportion they bear to itself, which physically never can vary. And,

3tio. That a person who has borrowed a certain weight of silver from another, is obliged to repay the same weight of silver he had borrowed; although at that time silver should be of greater value than when he borrowed it.

Answers to these arguments.

I answer to the first argument: That if in fact silver becomes of more or less value with respect to merchandize, with respect to gold, and with respect to bank money, by there being a greater or less demand for it than there was before; I cannot see how calling it a standard, can remove this inconvenience, which is inseparable from the nature of the thing; nor how we can change a *matter of fact*, by changing our *language*, and by saying, that merchandize, gold, and bank money, become of more value, or of less value, with respect to silver, in proportion as the demand for them is greater or less. This language we must use, although we know for certain that these things remain in the exact relative proportion of quantity and demand as before: And although it should evidently appear, that a demand for silver has raised the price of it, with respect to every thing it measured the day before.

If the yard in a mercer's shop should be subject to such revolutions, in consequence of the wood it was made of; and if in measuring a piece of stuff to a customer, which the mercer had bought by this yard the day before for 50 yards, he should find the piece measure but 40, it would not be easy to persuade him, I believe, that his piece was become shorter; but suppose he should have the curiosity to measure over again all the pieces in his shop, and that he should find exactly one fifth diminution upon the length of every one, would he not very rationally conclude that his yard was grown longer, and would he not run immediately to his neighbour's shop and compare it?

As to the second argument, I agree that silver may at all times very exactly measure the value of things with respect to itself; but this gives us no idea of an universal measure.

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I can measure the proportion of the length of things, with any rod or with any line, the length of which I know nothing about; but no body calls this measuring, because I cannot compare the things measured, with any other thing which I have not measured with the same rod or line, as I might easily do, had I measured with a foot, yard, or toise; consequently the intention of measuring in such a case is almost entirely lost.

To the third argument, I answer, that I subscribe very willingly to the truth of that proposition; providing that by silver is understood the bare metal, without attending to its additional quality of the universal standard measure of value. But if I borrow the silver not as bullion, but as coin (the common measure of value) then I say, that I overpay in giving back the same weight I had received. Is there any thing more familiar than such examples? I borrow 100 l. from my neighbour, he proposes to give so much of the value in grain; I accept. The price of grain rises about the term of payment; can I be obliged to repay an equal quantity of grain in payment of a proportional part of what I owe? By no means; because I did not receive the grain as any thing but as a species of money. But if I borrow some quarters of grain to be repaid in harvest, then I am obliged to restore grain for grain, because in that case I did not receive the grain as money, but as a commodity.

Buying and selling are purely conventional, and no man is obliged to give his merchandize at what may be supposed to be the proportion of its worth. The use, therefore, of an universal measure, is, to mark, not only the relative value of the things to which it is applied as a measure, but to discover in an instant the proportion between the value of those, and of every other commodity valued by a determinate measure in all the countries of the world.

Were pounds sterling, livres, florins, piastres, &c. which are all money of account, invariable in their values, what a facility would it produce in all conversions, what an assistance to trade! But as they are all limited or fixed to coins, and consequently vary from

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time

Usefulness of an universal measure.

time to time, this example shews the utility of the invariable measure which we have described.

There is another circumstance which incapacitates the metals from performing the office of money; the substance of which the coin is made, is a commodity, which rises and sinks in its value with respect to other commodities, according to the wants, competition, and caprices of mankind. The advantage, therefore, found in putting an intrinsic value into that substance which performs the function of money of account, is compensated by the instability of that intrinsic value; and the advantage obtained by the stability of paper, or symbolical money, is compensated by the defect it commonly has of not being at all times susceptible of realization into solid property, or intrinsic value.

In order, therefore, to render material money more perfect, this quality of metal, that is of a commodity, should be taken from it; and in order to render paper money more perfect, it ought to be made to circulate upon metallic or land security. The expedient with regard to the metals shall find a place in this inquiry (in the chapter of miscellaneous questions at the end of this book, article 4th). What regards the paper is foreign to our purpose, and belongs to the doctrine of credit.

II. There are several smaller inconveniences accompanying the use of the metals, which we shall here shortly enumerate, reserving the discussion of all the consequences they draw along with them, until we come to consider the operations of trade and money, upon the complicated interests of mankind.

*1mo.* No money made of gold or silver can circulate long, without losing of its weight, although it all along preserves the same denomination. This represents the contracting a pair of compasses which had been rightly adjusted to the scale. Such a defect must appear striking, when we reflect upon the principles (already laid down) which necessarily influence the fixing of a standard.

*2do.* Another

*2do.* Another inconvenience proceeds from the fabrication of money. Supposing the faith of Princes who coin money to be inviolable, and the probity, as well as capacity, of those to whom they commit the inspection of the fineness of the metals to be sufficient, it is hardly possible for workmen to render every piece exactly of a proper weight, or to preserve the due proportion between pieces of different denominations; that is to say, to make every ten sixpences exactly of the same weight with every crown piece and every five shillings struck in a coinage. In proportion to such inaccuracies, the parts of the scale become unequal.

*3to.* Another inconvenience, and far from being inconsiderable, flows from the expence requisite for the coining of money. This expence adds to its value as a manufacture, without adding any thing to its weight. I shall take notice, in the proper place, of the consequences which attend this inconvenience, even to nations where coinage is free.

*4to.* The last inconvenience I shall mention, is, that by fixing the money of account entirely to the coin, without having any independent common measure (to mark and control these deviations from mathematical exactness, which are either inseparable from the metals themselves, or from the fabrication of them) the whole measure of value, and all the relative interests of debtors and creditors, become at the disposal not only of workmen in the mint, of Jews who deal in money, of clippers and washers of coin, but they are also entirely at the mercy of Princes, who have the right of coinage, and who have frequently also the right of raising or debasing the standard of the coin, according as they find it most for their present and temporary interest.

Several of the inconveniences we have here enumerated, may appear trifling, and so they are found to be in countries where commerce is little known; but the operations of trade surpass in nicety the conceptions of any man but a merchant; and as a proof of this, it may be affirmed with truth, that one shilling can hardly lose a grain

grain of its weight, either by fraud or circulation, without contributing by that circumstance, towards the diminution of the standard value of the money-unit, or pound sterling, over all England, as I hope to be able to shew both by reason and facts.

All and every one of these inconveniences to which coin is exposed, disappear in countries where the use of pure ideal money of account is properly established.

#### C H A P. IV.

*Methods which may be proposed for lessening the several inconveniences to which material Money is liable.*

**I**N this chapter, I shall point out the methods which may be proposed for lessening the inconveniences to which all coin is liable, in order thereby to make it resemble as much as possible the invariable scale of ideal money of account.

To propose the throwing out of coin altogether, because it is liable to inconveniences, and the reducing all to an ideal standard, is acting like the tyrant who adjusted every man's length to that of his own bed, cutting from the length of those who were taller than himself, and racking and stretching the limbs of such as he found to be of a lower stature. The use of theory in political matters is not only to discover the methods of removing all abuses, it must also lend its aid towards palliating inconveniences which are not easily cured.

Use of theory in political matters.

The inconveniences from the variation in the relative value of the metals to one another, may in some measure be obviated by the following expedients.

Five remedies against the effects of the variation between the value of the metals.

1mo. By

1mo. By considering one only as the standard, and leaving the other to seek its own value, like any other commodity.

2do. By considering one only as the standard, and fixing the value of the other from time to time by authority, according as the market price of the metals shall vary.

3tio. By fixing the standard of the unit according to the mean proportion of the metals, attaching it to neither; regulating the coin accordingly; and upon every considerable variation in the proportion between them, either to make a new coinage, or to raise the denomination of one of the species, and lower it in the other, in order to preserve the unit exactly in the mean proportion between the gold and silver. This idea is dark, but it shall afterwards be sufficiently explained.

4to. To have two units, and two standards, one of gold, and one of silver, and to allow every body to stipulate in either.

5to. Or last of all, to oblige all debtors to pay one half in gold, and one half in the silver standard.

I have here proposed the attaching the standard to one of the species, as a remedy against the effects of variation between the metals, because when that is done, the consequences are not so hurtful as when the unit is affixed to both, as I shall prove in its proper place.

The regulating the proportion of that metal which is considered as merchandize, to the other which is considered as the standard, upon every variation in the market price of bullion, as well as the other expedient of striking the unit according to the mean proportion, is an endless labour, and implies a necessity either of perpetually recoinage, or of introducing fractions of value into the current coin, which cannot fail to embarrass circulation.

The establishing two units, the one of gold, and the other of silver, does not render the unit of money any more invariable than before; all that can be said for this expedient, is, that money becomes thereby more determinate; and that people who enter into permanent contracts are, at least, apprised of the consequences of the varying of

3

the

the proportion of the metals; and may regulate their interests accordingly.

The last expedient of making debtors pay half in gold and half in silver, would answer every inconvenience, providing all creditors were supposed to melt the money down upon receiving it, in order to sell it for bullion; but as that is not the case, it would be proper, together with this expedient, to be also very exact in observing the market proportion of the metals in the coin; because it cannot be supposed, that every small payment can be made in both species, and wherever this is omitted, every former inconvenience may take place.

Remedies  
against the  
other incon-  
veniences.

II. The other imperfections of coin have been already enumerated. They relate either to its wear, the want of exactness in the fabrication, the price of coinage, or the opportunity thereby afforded to Princes to adulterate and change the standard.

Against the  
wearing of  
the coin.

1<sup>mo</sup>. As to the first the best expedients are, 1. To strike the greatest part of the coin in large solid pieces, having as little surface as possible, consistently with beauty and ease of fabrication.

2. To order large sums (of silver at least) to circulate in bags of determinate fums, and determinate weights, all in pieces of the larger denominations.

3. To make all light coin whatsoever go by weight, upon the requisition of the person who is to receive it.

Against in-  
accuracy of  
coinage.

2<sup>do</sup>. As to the inaccuracy of the fabrication, there is no other remedy than a strict attention in government to a matter of so great consequence.

Against the  
expense of  
coinage.

3<sup>tio</sup>. The price of coinage principally affects the interest of nations with regard to foreign trade; consequently, trading states should endeavour, as nearly as possible, to observe the same regulations with their neighbours, in every thing which regards the coin. The consequence of this inconvenience to those within the society is unavoidable, and therefore no remedy can be proposed.

4<sup>to</sup>. The

4<sup>to</sup>. The establishment of public credit is the best security against all adulterations of the standard. No fundamental law can bind up a Prince's hands so effectually as his own interest. While a Prince lives within his income, he will have no occasion to adulterate the coin; when he exceeds it, he will (in a trading nation) have recourse to credit, and if once he establishes that, he must give over meddling with the standard of his coin, or he will get no body to lend him any more. The only Prince who can gain by adulterating of the standard, is he who seeks for extraordinary supplies out of a treasure already formed.

Against ar-  
bitrary  
changes on  
the value of  
coin.

These are, briefly, the expedients to be put in practice by those governments which have the prosperity of their subjects at heart. The infinite variety of circumstances relating to every state can alone decide as to those which are respectively proper to be adopted by each. Our business at present is to point out the variations to which the value of the money-unit is exposed, from every disorder in the coin; and to shew that as far as the value of the unit shall appear affected by them, so far must material money in such a case be defective.

## C H A P. V.

*Variations to which the Value of the Money-unit is exposed from every disorder in the Coin.*

I. **L**ET us suppose, at present, the only disorder to consist in a want of the due proportion between the gold and silver in the coin.

This proportion can only be established by the market price of the metals; because an augmentation and rise in the demand for gold

How the  
market price  
of the me-  
tals is made  
to vary.

VOL. I.

A a a

gold or silver has the effect of augmenting the value of the metal demanded. Let us suppose that to-day one pound of gold may buy fifteen pounds of silver; if to-morrow there be a high demand for silver, a competition among merchants, to have silver for gold, will ensue, they will contend who shall get the silver at the rate of fifteen pounds for one of gold: this will raise the price of it, and in proportion to their views of profit, some will accept of less than the fifteen pounds. This is plainly a rise in the silver, more properly than a fall in the gold; because it is the competition for the silver which has occasioned the variation in the former proportion between the metals. Had the competition for gold carried the proportion above 1 to 15, I should then have said that the gold had risen.

The variation ought to be referred to the rising metal, and never to the sinking.

As it is, therefore, the *active demand* for either gold or silver which makes the price of the metals to vary, I think language would be more correct (in speaking concerning the metals only) never to mention the *sinking* of the price of either gold or silver. As to every other merchandize, the expression is very proper; because the diminishing of the price of one commodity, does not so essentially imply the rise of any other, as the sinking of one of the metals must imply the rising of the other, since they are the only measures of one another's worth. I would not be here understood to mean that the term *sinking* of the price of gold or silver is improper; all I say is, that the other being equally proper, and conveying with it the cause of the variation (to wit, the competition to acquire one metal preferably to the other) may be preferred, and this the rather, that from using these terms promiscuously (gold has *fallen*, in place of silver has *risen*) we are apt to believe, that the falling of the price of the metal, must proceed from some augmentation of the quantity of it; whereas it commonly proceeds from no other cause than a higher demand than formerly for the other.

Let us now suppose that a state having, with great exactness, examined the proportion of the metals in the market, and having

determined the precise quantity of each for realizing or representing the money-unit, shall execute a most exact coinage of gold and silver coin. As long as that proportion continues unvaried in the market, no inconvenience can result from that quarter, in making use of the metals for money of account.

But let us suppose the proportion to change; that the silver, for example, shall rise in its value with regard to gold; will it not follow, from that moment, that the unit realized in the silver, will become of more value than the unit realized in the gold coin?

But as the law has ordered them to pass as equivalents for one another, and as debtors have always the option of paying in what legal coin they think fit, will they not all choose to pay in gold, and will not then the silver coin be melted down or exported, in order to be sold as bullion, above the value it bears when it circulates in coin? Will not this paying in gold also really diminish the value of the money-unit, since upon this variation every thing must sell for more gold than before, as we have already observed?

Consequently, merchandize which have not varied in their relative value to any other thing but to gold and silver, must be measured by the mean proportion of the metals, and the application of any other measure to them is altering the standard. If they are measured by the gold, the standard is debased; if by silver, it is raised, as shall presently be proved.

If to prevent the inconvenience of melting down the silver, the state shall give up affixing the value of their unit to both species at once, and shall fix it to one, leaving the other to seek its price as any other commodity, in that case no doubt the melting down of the coin will be prevented; but will ever this restore the value of the money-unit to its former standard? Would it, for example, in the foregoing supposition, raise the debased value of the money-unit in the gold coin, if that species were declared to be the standard? It would indeed render silver coin purely a merchandize, and by allowing it to seek its value, would certainly prevent it from

How the money-unit of account is made to vary in its value from the variation of the metals. Consequences of this.

The true unit is the mean proportional between the value of the metals.

being melted down as before; because the pieces would rise conventionally in their denomination; or an agio, as it is called, would be taken in payments made in silver; but the gold would not, on that account, rise in its value, or begin to purchase any more merchandize than before. Were therefore the standard fixed to the gold, would not this be an arbitrary and a violent revolution in the value of the money-unit, and a debasement of the standard?

If, on the other hand, the state should fix the standard to the silver, which we suppose to have risen in its value, would that ever sink the advanced value which the silver coin had gained above the worth of the former standard unit, and would not this be a violent and an arbitrary revolution in the value of the money-unit, and a raising of the standard?

The only expedient, therefore, as has been said, is in such a case to fix the numerary unit to neither of the metals, but to contrive a way to make it fluctuate in a mean proportion between them; which is in effect the introduction of a pure ideal money of account. This shall be farther explained as we go along.

The unit to be attached to the mean proportion, upon a new coinage, not after the metals have varied.

I have only one observation to make in this place, to wit, that the regulation of fixing the unit by the mean proportion, ought to take place at the instant the standard unit is affixed with exactness both to the gold and silver. If it be introduced long after the market proportion between the metals has deviated from the proportion established in the coin, and if the new regulation is made to have a retrospect, with regard to the acquitting of permanent contracts entered into, while the value of the money-unit had attached itself to the lowest currency, in consequence of the principle above laid down, then the restoring the money-unit to that standard where it ought to have remained (to wit, to the mean proportion) is an injury to all debtors who have contracted since the time that the proportion of the metals began to vary.

This is clear from the former reasoning. The moment the market price of the metals differs from that in the coin, every one who

who has payments to make pays in that species which is the highest rated in the coin; consequently, he who lends, lends in that species. If after the contract, therefore, the unit is carried up to the mean proportion, this must be a loss to him who had borrowed.

From this we may perceive why, in the first article of the preceding chapter, it was said, that there was less inconvenience from the varying of the proportion of the metals, where the standard is fixed to one of them, than when it is fixed to both. In the first case, it is at least uncertain whether the *standard* or the *merchandize-species* is to rise; consequently it is uncertain whether the debtors or the creditors are to gain by a variation. If the *standard-species* should rise, the creditors will gain; if the *merchandize-species* rises, the debtors will gain; but when the unit is attached to both species, then the creditors never can gain, let the metals vary as they will: if silver rises, then debtors will pay in gold; if gold rises, debtors will pay in silver. But whether the unit be attached to one or to both species, the infallible consequence of a variation is, that one half of the difference is either gained or lost by debtors and creditors. The invariable unit is constantly the mean proportional between the two measures.

It is better to affix the unit to one than to both metals.

I intended to have postponed the entering upon what concerns the interests of debtors and creditors in all variations of the coin, until I came to treat particularly of that matter; but as it is a thing of the greatest consequence to be attended to, in every proposal for altering or regulating the coin of a nation, it will, perhaps, upon that account, bear a repetition.

II. To render our ideas as distinct as possible, we must keep them simple. Let us now suppose that the metals are perfectly well proportioned in the coin, but that the coin is worn by use.

If this be the case, we must either suppose it to be all equally worn, or unequally worn.

Variation to which the money-unit is exposed, from the wearing of the coin.

If all be equally worn, I think it needs no demonstration to prove, that the money-unit which was attached to the coin, when weighty,

weighty, (drawing its value from the metals contained in it) must naturally diminish in its value in proportion as the metals are rubbed away.

If the coin be unequally worn, the money-unit will be variously realized, or represented; that is to say, it will be of different values, according to the weight of the pieces.

The consequence of this is the same as in the disorder of the proportion of the metals: debtors will choose to pay in the light pieces, and the heavy will be melted down. In proportion, therefore, to this disorder, will the value of the unit gradually descend. This was the great disorder in England in 1695; while the standard of the pound sterling was affixed to the silver only, the gold being left to seek its own value.

Variations to which the money-unit is exposed, from the inaccuracy in the fabrication of the money.

III. Since the invention of the money wheel, the inaccuracy in the fabrication is greatly prevented. Formerly, when money was coined with the hammer, the mint-masters weighed the coin delivered by the workmen, *in cumulo*, by the pound troy weight, without attending very exactly to the proportion of the pieces. At present exactness is more necessary, and every piece must be weighed by itself.

It is of very great consequence that all the pieces and denominations of coin be in exact proportion to that of their current value, which is always relative to the money-unit of account. When any inequality happens there, it is easy to perceive how all the pieces which are above the proportion of their just weight, will be immediately picked up, and melted down, and none but the light ones will remain in circulation.

This, from the principles already laid down, must proportionally diminish the value of the money-unit.

From what has been observed concerning the deviations in the coin from the proportion in the market price of the metals, and from the legal weight, we may lay down this undoubted principle, *That the value of the money-unit of account is not to be sought for in the sta-*

*tutes*

*tutes and regulations of the mint, but in the actual intrinsic value of that currency in which all obligations are acquitted, and all accounts are kept.*

IV. As I have at present principally in view to lay down certain principles with regard to money, which I intend afterwards to apply to the state of the British coin; and as these principles are here restricted to the effects which every variation in the coin has upon the value of the unit of money in account, I shall in this place only observe, as to the imposition of coinage.

That coin being necessary in every country where the money-unit is attached to the metals, it must be procured by those who are obliged to acquit their obligations in material money.

If, therefore, the state shall oblige every one who carries the metals to the mint to pay the coinage, the coin they receive must be valued, not only at the price the metals bear in the market, when they are sold as bullion, (or mere metal, of no farther value than as a physical substance) but also at the additional value these metals receive in being rendered useful for purchasing commodities, and acquitting obligations. This additional value is the price of coinage.

If, therefore, in a country where coinage is free, as in England, this coinage shall come to be imposed, the money-unit continuing to be affixed as before to the same quantity of the metals, ought to rise in its value; that is, ought to become equal to a greater quantity of every sort of merchandize than before; consequently, as the rough metals of which the coin is made are merchandize, like every other thing, the same number of money-units realized, or represented in the coin, ought to purchase more of the metals than before: That is to say, *that in every country where coinage is imposed, bullion must be cheaper than coin.*

This proposition would be liable to no exception, were it true that no debt could be exacted but in the nation's coin; because in that case, the creditor would be constantly obliged to receive it at its full value.

But





Exception  
from this  
rule.

But when nations owe to one another, the party debtor must pay the party creditor in *his* coin: the debtor, therefore, is obliged to sell his own coin for what he can get for it, and with that he must buy of the coin of his creditor's country, and with this he must pay him.

Let us, to avoid abstract reasoning, take an example: and we cannot choose a better than that of England and France. In England, coinage is free, in France it costs  $8\frac{1}{2}\%$  per cent. as shall be made out in its proper place.

France owes England 1000 l. sterling. In paying the bullion contained in this sum, either in gold or silver, in the market of London, the debt is paid; because the bringing of it costs nothing. Here France acquits her debt cheaper than by sending her own coin as bullion; because the bullion she sends is not worth an equal weight of her coin.

England owes France 20,000 livres. In paying the bullion contained in this sum, England is not quit; she must also pay France  $8\frac{1}{2}\%$  per cent. in order to put it into coin.

I reserve the farther examination of all the intricate consequences of this principle, until I come to the application of it, in the Second part.

V. The operation of raising and debasing the coin is performed in three ways.

Variation to  
which the  
money-unit  
is exposed,  
by the arbitrary  
operations of  
Princes in  
raising and  
debasing the  
coin.

1mo, By augmenting or diminishing the weight of the coin.

2do, By augmenting or diminishing the proportion of alloy in the coin.

3tio, By augmenting or diminishing the proportion between the money (coin) and the money of account, as if every sixpence were called a shilling, and every twenty sixpences a pound sterling.

The French call this increasing or diminishing the *numery value*: and as I think it is a better term than that of raising or sinking the denomination, I shall take the liberty now and then to employ it.

These

These three operations may be reduced to one, and expressed by one term: they all imply the augmenting or diminishing the weight of the pure metals in the money-unit of account.

It would require a separate treatise, to investigate all the artifices which have been contrived, to make mankind lose sight of the principles of money, in order to palliate and make this power in the sovereign of changing the value of the coin, appear reasonable. But these artifices seem to be at an end, and Princes now perceive that the only scheme to get money when occasion requires, is to preserve their credit, and to allow the coin, by which that credit is reckoned to remain in a stable condition. There are still, however, examples of such operations to be met with; for which reason I shall subjoin, towards the end of this book, a particular inquiry into the interest of Princes with regard to the altering the value of their coin, which is a synonymous term with that of altering the value of the unit of money.

## CHAP. VI.

*How the Variations in the intrinsic value of the unit of Money must affect all the domestic Interests of a Nation.*

I. **W**E have briefly pointed out the effects of the imperfections of the metals in producing a variation in the value of the unit of account, we must now point out the consequences of this variation. How this variation affects the interests of debtors and creditors.

If the changing the content of the bushel by which grain is measured, would affect the interest of those who are obliged to pay, or who are intitled to receive, a certain number of bushels of grain for the rent of lands; in the same manner must every variation

tion in the value of the unit of account affect all persons who, in permanent contracts, are obliged to make payments, or who are intitled to receive sums of money stipulated in multiples or in fractions of that money-unit.

Every variation, therefore, upon the intrinsic value of the money-unit, has the effect of benefiting the class of creditors, at the expense of debtors, or *vice versa*.

This consequence is deduced from an obvious principle. Money is more or less valuable in proportion as it can purchase more or less of every kind of merchandize. Now without entering a-new into the causes of the rise and fall of prices, it is agreed upon all hands, I suppose, that whether an augmentation of the general mass of money in circulation has the effect of raising prices in general, or not, any augmentation of the quantity of the metals appointed to be put into the money-unit, must at least augment the value of that money-unit, and make it purchase more of any commodity than before; that is to say, if 113 grains of fine gold, the present weight of a pound sterling in gold, can buy 113 pounds of flour; were the pound sterling raised to 114 grains of the same metal, it would buy 114 pounds of flour; consequently, were the pound sterling augmented by one grain of gold, every miller who paid a rent of ten pounds a year, would be obliged to sell 1140 pounds of his flour, in order to procure 10 pounds to pay his rent; in place of 1130 pounds of flour which he sold formerly to procure the same sum; consequently by this innovation, the miller must lose yearly ten pounds of flour, which his master consequently must gain. From this example, I think it is plain, that every augmentation of metals put into the pound sterling, either of silver or gold, must imply an advantage to the whole class of creditors who are paid in pounds sterling, and consequently, must be a proportional loss to all debtors who must pay by the same denomination.

I should

I should not have been so particular in giving a proof of so plain a proposition, had it not escaped the penetration of the great Mr. Locke. <sup>A mistake of Mr. Locke.</sup>

In 1695 there was a proposal made to the government of England, to diminish the value of the pound sterling by 20 per cent. by making a new coinage of all the silver, and by making every shilling  $\frac{1}{3}$  lighter than before. The author of this project (Mr. Lowndes) having given his scheme to the public, was answered by Mr. Locke, That this debasing the value of the money-unit was effectually defrauding all the landed interest of 20 per cent. of their rents. Lowndes replied, that silver was augmented 20 per cent. in its value, and that therefore the pound sterling, though reduced 20 per cent. in its weight of pure silver, was still as valuable as before. This proposition Mr. Locke exploded with the most solid reasoning, and indeed nothing could be more absurd, than to affirm, that silver had risen in value with respect to itself. But though Mr. Locke felt that all the landed interest, and all those who were creditors in permanent contracts, must lose 20 per cent. by Mr. Lowndes's scheme, yet he did not perceive (which is very wonderful) that the debtors in these contracts must gain. This led him to advance a very extraordinary proposition, which abundantly proves that the interests of debtors and creditors, which are now become of the utmost consequence to be considered attentively by modern statesmen, were then but little attended to, and still less understood.

We find in the 46th page of Mr. Locke's *Farther Considerations concerning the raising the value of Money*, that Mr. Lowndes had affirmed in support of his scheme, that this new money would pay as much debt, and buy as many commodities as the then money which was one fifth heavier. Then adds Mr. Locke, "What he says of debts is true; but yet I would have it well considered by our English gentlemen, that though creditors will lose  $\frac{1}{5}$  of their principal and use, and landlords will lose  $\frac{1}{5}$  of their income, yet the debtors and tenants will not get it. It may be asked, who will get it? Those,

B b b 2

" I say,

" I say, and those only, who have great sums of weighty money (whereof one sees not a piece now in payments) hoarded up by them, will get it. To these, by the proposed change of our money, will be an increase of  $\frac{1}{3}$  added to their riches, paid out of the pockets of the rest of the nation."

If the authority of any man could prevail, where reason is dark, it would be that of Mr. Locke; and had any other person than Mr. Locke advanced such a doctrine, I should have taken no notice of it.

Here that great man, through inadvertency, at once gives up the argument in favour of his antagonist, after he had refuted him in the most solid manner: for if a man, who at that time had hoarded heavy money, was to gain  $\frac{1}{3}$  upon its being coined into pieces  $\frac{1}{3}$  lighter, Mr. Locke must agree with Mr. Lowndes, that a light piece was as much worth as a heavy one.

Those who had heavy money at that time locked up in their coffers, would gain no doubt, *provided they were debtors*; because having, I shall suppose, borrowed 4000 *l.* sterling in heavy money, and having it augmented to 5000 *l.* by Mr. Lowndes's plan, they might pay their debt of 4000 *l.* and retain one thousand clear profit for themselves. But supposing them to have no debts, which way could they possibly gain by having heavy money, since the 5000 *l.* after the coinage, would have bought no more land, nor more of any commodities, than 4000 *l.* would have done before the coinage.

When the value of the unit is diminished, creditors lose; when it is augmented, debtors lose.

We may therefore safely conclude, that every *diminution* of the metals contained in the money-unit, must imply a loss to all creditors; and that in proportion to that loss, those who are debtors must gain.

That on the contrary, whatever *augmentation* is made of the money-unit, such augmentation must be hurtful to debtors, and proportionally advantageous to creditors.

In the preceding chapters, I have laid down, with as much distinctness as I am capable of, the most general principles which in-

fluence the doctrine of money, and to those I think every other may be applied.

The combination, however, of these principles with one another, occasions a surprizing variety of problems, relating to money, coin, and bullion, which are difficult to resolve, only by the difficulty there is found in applying them to the rule.

In order therefore to render this inquiry more useful, I shall now apply the principles I have laid down, to the state of the British coin, and to the resolution of every question which shall occur during the examination of the disorder into which it has fallen. A deviation from the standard weight of the coin, and proportion of the metals (small if compared with what was common in former ages) has introduced very great obstructions in the circulation of the two species, and presents very great inconveniencies when there is any question of removing them by a new regulation of the mint.

The most distinct method of treating such matters, is, to consider all coin as reduced to the weight of the pure metals; and to avoid the perplexity of different denominations of weights, I shall examine all by the troy grain.

The interests I intend to combine in this matter not being confined to those of England alone, I have entred into the most accurate calculation possible, with regard to the coin of those nations which I shall have occasion to mention, and to compare with that of England. These I have reduced to a general table which is inserted at the end of this volume. The reader may have recourse to it upon every occasion where mention is made of the conversion of money into grains of silver and gold, and thereby form to himself a far better idea of many things than I could otherwise have given him.

## C H A P. VII.

*Of the disorder in the British Coin, so far as it occasions the melting down or the exporting of the Specie.*

Defects in the British coin.

THE defects in the British coin are three.

1<sup>mo</sup>. The proportion between the gold and silver in it is found to be as 1 to 15 $\frac{1}{2}$ , whereas the market price may be supposed to be nearly as 1 to 14 $\frac{1}{2}$ .

2<sup>do</sup>. Great part of the current money is worn and light.

3<sup>io</sup>. From the second defect proceeds the third, to wit, that there are several currencies in circulation which pass for the same value, without being of the same weight.

4<sup>to</sup>. From all these defects results the last and greatest inconvenience, to wit, that some innovation must be made, in order to set matters on a right footing.

I shall take no notice of the inaccuracies of fabrication, because these are inseparable from the imperfections of human art, and as long as they are not very considerable, no profit can be made in discovering them, and therefore no bad consequence can result from them.

Of the standard of the English coin and money-unit.

The English, besides the unit of their money which they call the pound sterling, have also the unit of their weight for weighing the precious metals.

This is called the pound troy, and consists of 12 ounces, every ounce of 20 penny weight, and every penny weight of 24 grains. The pound troy, therefore, consists of 240 penny weight, and 5760 grains.

The fineness of the silver is reckoned by the number of ounces and penny weights of the pure metals in the pound troy of the composed

composed mass; or in other words, the pound troy, which contains 5760 grains of standard silver, contains 5328 grains of fine silver, and 432 grains of copper, called alloy.

Thus standard silver is 11 ounces 2 penny weights of fine silver in the pound troy, to 18 penny weights copper, or 111 parts fine silver to 9 parts alloy.

Standard gold is 11 ounces fine to one ounce silver or copper employed for alloy, which together make the pound troy; consequently, the pound troy of standard gold, contains 5280 grains fine, and 480 grains alloy, which alloy is reckoned of no value.

This pound of standard silver is ordered, by statute of the 43<sup>d</sup> of Elizabeth, to be coined into 62 shillings, 20 of which make the pound sterling; consequently the 20 shillings contain 1718.7 grains of fine silver, and 1858.06 standard silver. A pound sterling by statute contains 1718.7 grains troy, fine silver.

The pound troy of standard gold,  $\frac{11}{12}$  fine, is ordered by an act of King Charles II. to be cut into 44 $\frac{1}{2}$  guineas; that is to say, every guinea contains 129.43 grains of standard gold, and 118.644 of fine gold, and the pound sterling, which is  $\frac{5}{2}$  of the guinea, contains 112.994, which we may state at 113 grains of fine gold, as has been said. The guinea 118.644 grains of fine gold.

The coinage in England is entirely defrayed at the expence of the state. The mint price for the metals is the very same with the price of the coin. Whoever carries to the mint an ounce of standard silver, receives for it in silver coin 5 s. 2 d. or 62 d: whoever carries an ounce of standard gold receives in gold coin 3 l. 17 s. 10 d $\frac{1}{2}$ . the one and the other making exactly an ounce of the same fineness with the bullion. Coin, therefore, can have no value in the market above bullion; consequently, no loss can be incurred by those who melt it down. Coinage in England free.

When the guinea was first struck, the government (not inclining to fix the pound sterling to the gold coin of the nation) fixed the guinea at 20 shillings; (which was then below its proportion to the silver).

silver) leaving it to seek its own price above that value, according to the course of the market.

By this regulation no harm was done to the English silver standard; because the guinea, or 118.644 grains fine gold being worth more, at that time, than 20 shillings, or 1718.7 grains fine silver, no debtor would pay with gold at its standard value, and whatever it was received for above that price was purely conventional.

Accordingly guineas sought their own price until the year 1728, that they were fixed a-new, not below their value as at first, but at what was then reckoned their exact value, according to the proportion of the metals, to wit, at 21 shillings, and at this they were ordered to pass current in all payments.

This operation had the effect of making the gold a standard as well as the silver. Debtors then paid indifferently in gold as well as in silver, because both were supposed to be of the same intrinsic as well as current value; in which case no inconvenience could follow upon this regulation. But, in time, silver came to be more demanded; the making of plate began to prevail more than formerly, and the exportation of silver to the East Indies increasing yearly, made the demand for it greater; or perhaps brought its quantity to be proportionally less than before. This changed the proportion of the metals, and by slow degrees they have come from that of 1 to 15.2 (the proportion they were supposed to have when the guineas were fixed and made a lawful money at 21 shillings) to that of 14.5 the present supposed proportion.

The consequence of this has been, that the same guinea which was worth 1804.6 grains fine silver, at the time it was fixed at 21 shillings, is now worth no more than 1719.9 grains of fine silver according to the proportion of 14½ to 1.

Consequently, debtors, who have always the option of the legal species in paying their debts, will pay pounds sterling no more in silver but in gold; and as the gold pounds they pay in, are not intrinsically worth the silver pounds they paid in formerly, according to

The standard not attached to the gold coin, till the year 1728.

Consequence of this regulation to debase the standard.

That debtors will not pay in silver but in gold.

to the statute of Elizabeth, it follows that the pound sterling in silver is really no more the standard, since no body will pay at that rate, and since no body can be compelled to do it.

Besides this want of proportion between the metals, the silver coined before the reign of George I. is now become light by circulation; and the guineas coined by all the Princes since Charles II. pass by tale, though many of them are considerably diminished in their weight.

Let us now examine what profit the want of proportion, and the want of weight in the coin can afford to the money jobbers, in melting it down or exporting it.

Did every body consider coin only as the measure for reckoning value, without attending to its value as a metal, the deviations of gold and silver coin from perfect exactness either as to proportion or weight, would occasion little inconvenience.

Great numbers indeed, in every modern society, consider coin in no other light, than that of money of account, and have great difficulty to comprehend what difference any one can find between a light shilling and a heavy one; or what inconvenience there can possibly result from a guinea's being some grains of fine gold too light to be worth 21 shillings standard weight. And did every one think in the same way, there would be no occasion for coin of the precious metals at all; leather, copper, iron, or paper, would keep the reckoning as well as gold and silver.

But although there be many who look no farther than at the stamp on the coin, there are others whose sole business it is to examine its intrinsic worth as a commodity, and to profit of every irregularity in the weight and proportion of metals.

By the very institution of coinage, it is implied, that every piece of the same metal, and same denomination with regard to the money-unit, shall pass current for the same value.

It is, therefore, the employment of those money jobbers, as I shall call them, to examine, with a scrupulous exactness, the pre-

That some people consider coin a money of account.

others consider it as a metal.

the weight of every piece of coin which comes into their hands.

Operations of money jobbers when the coin deviates from the market proportion of the metals, or from the legal weight. They melt down when the metals in it are wrong proportion.

The first object of their attention, is, the price of the metals in the market: a jobber finds, at present, that with 14.5 pounds of fine silver bullion, he can buy one pound of fine gold bullion.

He therefore buys up with gold coin, all the new silver as fast as it is coined, of which he can get at the rate of 15.2 pounds for one in gold; these 15.2 pounds silver coin he melts down into bullion, and converts that back into gold bullion, giving at the rate of only 14.5 pounds for one.

By this operation he remains with the value of  $\frac{7}{10}$  of one pound weight of silver bullion clear profit upon the 15.2 pounds he bought; which  $\frac{7}{10}$  is really lost by the man who inadvertently coined silver at the mint, and gave it to the money jobber for his gold. Thus the state loses the expence of the coinage, and the public the convenience of change for their guineas.

And when the coin is of unequal weight.

But here it may be asked, Why should the money jobber melt down the silver coin, can he not buy gold with it as well without melting it down? I answer, he cannot; because when it is in coin, he cannot avail himself of its being new and weighty. Coin goes by tale, not by weight; therefore, were he to come to market with his new silver coin, gold bullion being sold at the mint price I shall suppose, viz. at 3 *l.* 17 *s.* 10 *d.* sterling money *per* ounce, he would be obliged to pay the price of what he bought with heavy money, which he can equally do with light.

He therefore melts down the new silver coin, and sells it for bullion, at so many pence an ounce, the price of which bullion is, in the English market, always above the price of silver at the mint, for the reasons now to be given.

Why silver bullion is dearer than coin.

When you sell standard silver bullion at the mint, you are paid in weighty money; that is, you receive for your bullion the very same weight in standard coin; the coinage costs nothing; but when

when you sell bullion in the market, you are paid in worn out silver, in gold, in bank notes, in short, in every species of lawful current money. Now all these payments have some defect: the silver you are paid with is worn and light; the gold you are paid with is over-rated, and perhaps also light; and the bank notes must have the same value with the specie with which the bank pays them; that is, with light silver or over-rated gold.

It is for these reasons, that silver bullion, which is bought by the mint at 5 *s.* 2 *d.* *per* ounce of heavy silver money, may be bought at market at 65 pence \* the ounce in light silver, over-rated gold, or bank notes, which is the same thing.

Farther, we have seen how the imposition of coinage has the effect of raising coin above the value of bullion, by adding a value to it which it had not as a metal.

Because that species has risen in the market price as bullion, and not as coin.

Just so when the unit is once affixed to certain determined quantities of both metals, if one of the metals should afterwards rise in value in the market, the coin made of that metal must lose a part of its value as coin, although it retains it as a metal. Consequently, as in the first case, it acquired an additional value by being coined, it must now acquire an additional value by being melted down. From this we may conclude, that when the standard is affixed to both the metals in the coin, and when the proportion of that value is not made to follow the price of the market, that species which rises in the market is melted down, and the bullion is sold for a price as much exceeding the mint price, as the metal has risen in its value.

If, therefore, in England the price of silver bullion is found to be at 65 pence the ounce, while at the mint it is rated at 62; this proves that silver has risen  $\frac{3}{10}$  above the proportion observed in the coin, and that all coin of standard weight may consequently be

\* The price of silver is constantly varying in the London market; I therefore take 65 pence *per* ounce as a mean price, the less to perplex calculations, which here are all hypothetical.

melted down with a profit of 12. <sup>But as there are several other</sup> circumstances to be attended to, which regulate and influence the price of bullion, we shall here pass them in review the better to discover the nature of this disorder in the English coin, and the advantages which money jobbers may draw from it. <sup>The price of bullion, like that of every other merchandize, is regulated by the value of the money it is paid with.</sup> If bullion, therefore, sells in England for 65 pence an ounce, paid in silver coin, it must sell for 65 shillings the pound troy; that is to say, the shillings it is commonly paid with, do not exceed the weight of  $\frac{1}{27}$  of a pound troy: for if the 65 shillings with which the pound of bullion is paid weighed more than a pound troy, it would be a shorter and better way for him who wants bullion, to melt down the shillings and make use of the metal, than to go to market with them in order to get less.

We may, therefore, be very certain, that no man will buy silver bullion at 65 pence an ounce, with any shilling which weighs above  $\frac{1}{27}$  of a pound troy.

We have gone upon the supposition that the ordinary price of bullion in the English market is 65 pence per ounce. This has been done upon the authority of some late writers on this subject; it is now proper to point out the causes which may make it deviate from that value.

I. It may vary and certainly will vary in the price, according as the currency is better or worse. When the expences of a war, or a wrong balance of trade, have carried off a great many heavy guineas, it is natural that bullion should rise, because then it will be paid for more commonly in light gold and silver; that is to say, with pounds sterling, below the value of 113 grains fine gold; the worth of the pound sterling in new guineas.

This was writ in Germany, anno 1759, when I was not well informed of certain facts; and it is not worth while to make any alterations, as it is only a supposition.

II. This

What regulates the price of bullion.

The intrinsic value of the currency.

III. This wrong balance of trade, or a demand for bullion abroad, becoming very great, may occasion a scarcity of the metals in the market, as well as a scarcity of the coin; consequently, an advanced price must be given for it in proportion to the greatness and height of the demand. In this case, both the specie and the bullion must be bought with paper. But I must observe, that the rise in the price of bullion proceeds from the demand for the metals, and the competition between merchants to procure them, and not because the paper given as the price is at all of inferior value to the specie. The least discredit of this kind would not tend to diminish the value of the paper; it would annihilate it at once. Therefore, since the metals must be had, and that the paper cannot supply the want of them when they are to be exported, the price rises in proportion to the difficulties in finding metals elsewhere than in the English market.

III. A sudden call for bullion, for the making of plate. A goldsmith can well afford to give 67 pence for an ounce of silver, that is to say, he can afford to give one pound of gold for 14 pounds of silver, and perhaps for less, notwithstanding that what he gives be more than the ordinary proportion between the metals, because he indemnifies himself amply by the price of his workmanship: just as a tavern-keeper will pay any price for a fine fish, because, like the goldsmith, he buys for other people.

IV. The mint price has as great an effect in bringing down the price of bullion, as exchange has in raising it. In countries where the metals in the coin are justly proportioned, where all the currencies are of legal weight, and where coinage is imposed, the operations of trade make the price of bullion constantly to fluctuate between the value of the coin and the mint price of the metals. This shall afterwards be sufficiently explained, in the second part.

Now let us suppose that the current price of silver bullion in the market is 65 pence the ounce, paid in lawful money, no matter of what

A demand for exporting bullion.

Or for making of plate.

Exchange rates, and the mint price brings down bullion.

Continuation of the operations of money-jobbers.

what weight, or of what metal. Upon this the money-jobber falls to work. All shillings which are above  $\frac{1}{4}$  of a pound troy, he throws into his melting-pot, and fells them as bullion, for 65 d. per ounce; all those which are below that weight he carries to market, and buys bullion with them, at 65 pence per ounce.

What is the consequence of this? That those who sell the bullion, finding the shillings which the money-jobber pays with perhaps not above  $\frac{1}{4}$  of a pound troy, they on their side raise the price of their bullion to 66 pence the ounce.

This makes new work for the money-jobber; for he must always gain. He now weighs all shillings as they come to hand; and as formerly he threw into his melting-pot those only which were worth more than  $\frac{1}{4}$  of a pound troy, he now throws in all that are in value above  $\frac{1}{4}$ . He then fells the melted shillings at 66 pence the ounce, and buys bullion with the light ones, at the same price.

This is the consequence of, ever permitting any species of coin to pass by the authority of the stamp, without controlling it at the same time by the weight: and this is the manner in which money-jobbers gain by the currency of light money.

The pence in guineas equal to the pence of shillings of 6s in the pound troy.

It is no argument against this exposition of the matter to say, that silver bullion is seldom bought with silver coin; because the pence in new guineas are worth no more than the pence of shillings of 6s in the pound troy: that is to say, that 240 pence contained in  $\frac{1}{4}$  of a new guinea, and 240 pence contained in 20 shillings of 6s to the pound troy, differ no more in the intrinsic value than 0.88 of a grain of fine silver upon the whole, which is a mere trifle.

When guineas may be melted down with profit.

Whenever, therefore, shillings come below the weight of  $\frac{1}{4}$  of a pound troy, then there is an advantage in changing them for new guineas: and when that is the case, the new guineas will be melted

\* See table, English coins, N<sup>o</sup>. 6, & 7.

melted down; and profit will be found in felling them for bullion, upon the principles we have just been explaining.

It would be very tedious to enumerate all the fraudulent operations which are occasioned by this defect of proportion between the metals in the coin, and by the unequal weight of coins carrying the same denomination.

We have already given a specimen of the domestic operations of the money-jobbers; but these are not the most prejudicial to national concerns. The jobbers may be supposed to be Englishmen; and in that case the profit they make remains at home; but whenever there is a call for bullion to pay the balance of trade, it is evident that this will be paid in silver coin, never in gold, if heavy silver can be got; and this again carries away the silver coin, and renders it at home so rare, that great inconveniencies are found for want of the lesser denominations of it. The loss, however, here is confined to an inconvenience; because the balance of trade being a debt which must be paid, I don't consider the exportation of the silver for that purpose as any consequence of the disorder of the coin. But besides this exportation which is necessary, there are others which are arbitrary, and which are made only with a view to profit of the wrong proportion.

Silver is exported preferably to Gold.

When the money-jobbers find difficulty in carrying on the traffic we have described, in the English market, because of the competition among themselves, they carry the silver coin out of the country, and sell it abroad for gold, upon the same principles that the East India company send silver to China, in order to purchase gold.

It may be demanded, what hurt this trade can do to England, since those who export silver bring back the same value in gold. I answer, that were this trade carried on by natives, there would be no loss; because they would bring home gold for the whole intrinsic value of the silver. But if we suppose foreigners sending over gold to be coined at the English mint, and changing that gold into

This hurtful, when done by foreigners.



into English silver coin; and then carrying off this coin, I think it is plain that they must gain the difference, as well as the money-jobbers. But it may be answered, that having given gold for silver at the rate of the mint, they have given value for what they have received. Very right; but so did Sir Hans Sloane, when he paid five guineas for an overgrown toad: he got value for his money; but it was value only to himself. Just so, whenever the English government shall be obliged to restore the proportion of the metals, (as they must do) this operation will annihilate that imaginary value which they have hitherto set upon gold; which imagination is the only thing which renders the exchange of their silver against the foreign gold equal.

But it is farther objected, that foreigners cannot carry off the heavy silver; because there is none to carry off. Very true; but then I say they have carried off a great quantity already: or if the English Jews have been too sharp to allow such a profit to fall to strangers, (which may or may not have been the case) then I say that this disorder is an effectual stop to any more coinage of silver for circulation.

## C H A P. VIII.

*Of the disorder in the British coin, so far as it affects the value of the pound sterling currency.*

Two legal pounds sterling in England.

FROM what has been said, it is evident, that there must be found in England two legal pounds sterling, of different values; the one worth 112 grains of fine gold, the other worth 1718.7 grains of fine silver. I call them different; because these two portions of the precious metals are of different values all over Europe.

But

But besides these two different pounds sterling, which the change in the proportion of the metals, have created, the other defects of the circulating coin produce similar effects. The guineas coined by all the Princes since King Charles II. have been of the same standard weight and fineness; 44½ in a pound troy of standard gold 22 fine: these have been constantly wearing ever since they have been coined; and in proportion to their wearing they are of less value.

If, therefore, the new guineas are below the value of a pound sterling in silver, standard weight, the old must be of less value still. Here then is another currency, that is, another pound sterling; or, indeed more properly speaking, there are as many different pounds sterling as there are guineas of different weights. This is not all; the money-jobbers having carried off all the weighty silver, that which is worn with use, and reduced even below the standard of gold, forms one currency more, and totally destroys all determinate proportion between the money-unit and the currencies which are supposed to represent it.

It may be asked, how, at this rate, any silver at all has remained in England? I answer, that the few weighty shillings which still remain in circulation, have marvellously escaped the hands of the money-jobbers; and as for the rest, the rubbing and wearing of these pieces has done what the state might have done; that is to say, it has reduced them to their due proportion with the lightest gold.

The disorder, therefore, of the English coin has rendered the standard of a pound sterling quite uncertain. To say that it is 1718.7 grains of fine silver, is quite ideal. Who are paid in such pounds? To say that it is 113 grains of pure gold, may also not be true; because there are many currencies worse than the new guineas.

What then is the consequence of all this disorder? What effect has it upon the current value of a pound sterling? And which way can the value of that be determined?

VOL. I.

D d d d

The

And several others, in consequence of the wearing of the coin.

Why any silver coin remains in England.

Value of a pound sterling current.

Determined by the operations of trade.

The operations of trade bring value to an equation, notwithstanding the greatest irregularities possible, and so in fact a pound sterling has acquired a determinate value over all the world by the means of foreign exchange. This is a kind of ideal scale for measuring the British coin, although it has not all the properties of that described above.

To the mean value of all the currencies.

Exchange considers the pound sterling as a value determined according to the combination of the values of all the different currencies, in proportion as payments are made in the one or the other; and as debtors generally take care to pay in the worst species they can, it consequently follows, that the value of the pound sterling should fall to that of the lowest currency.

Were there a sufficient quantity of worn gold and silver to acquit all bills of exchange, the pound sterling would come down to the value of them; but if the new gold be also necessary for that purpose, the value of it must be proportionally greater.

All these combinations are liquidated and compensated with one another, by the operations of trade and exchange: and the pound sterling, which is so different in itself, becomes thereby, in the eyes of commerce, a determinate unit, subject however to variations, from which it never can be exempted.

Here is then the proof of what was said in the end of the first chapter, that the wearing of one shilling had the effect of contributing towards the diminution of the value of the pound sterling every where; a proposition which, at first sight, has the air of a paradox, though, when it is understood, nothing is more consistent with the ruling principles of commerce.

Exchange a good measure for the value of a pound sterling.

Exchange, therefore, in my humble opinion, is one of the best measures for valuing a pound sterling, present currency. Here occurs a question.

Does the great quantity of paper money in England tend to diminish the value of the pound sterling?

I answer

I answer (according to my weak conceptions) in the negative. <sup>The use of paper money is just as good as gold or silver money, and no better. not hurtful in debasing the standard.</sup> The variation of the standard, we have already said, and I think proved, must influence the interests of debtors and creditors proportionally every where. From this it follows, that all augmentation of the value of the money-unit in the specie must hurt the debtors in the paper money; and all diminutions on the other hand must hurt the creditors in the paper money, as well as every where else. The payments, therefore, made in paper money, never can contribute to the regulation of the standard of the pound sterling; it is the specie received in liquidation of that paper money which alone can contribute to mark the value of the British unit; because it is affixed to nothing else.

From this we may draw a principle, *That in countries where the money-unit is entirely affixed to the coin, the actual value of it is not according to the legal standard of that coin, but according to the mean proportion of the actual worth of those currencies in which debts are paid.* <sup>The pound sterling not regulated by statute, but by the mean value of the current money.</sup>

From this we see the reason why the exchange between England and all the trading towns in Europe has long appeared so unfavourable. People calculate the real par, upon the supposition that a pound sterling is worth 1718.7 grains troy of fine silver, when in fact the currency is not perhaps worth 1638, the value of a new guinea in silver, at the market proportion of 1. to 14.5; that is to say, the currency is but 95.3. per cent. of the silver standard of the 43d of Elizabeth. No wonder then if the exchange be thought unfavourable.

From the principle we have just laid down, we may gather a confirmation of what we advanced concerning the cause of the advanced price of bullion in the English market. <sup>How the market price of bullion marks the value of the pound sterling.</sup>

When people buy bullion with current money at a determinate price, that operation, in conjunction with the course of exchange, ought naturally to mark the actual value of the pound sterling with great exactness.

D d d d 2

If

Shillings at present weigh no more than  $\frac{2}{3}$  of a pound troy.

If therefore the price of standard bullion in the English market, when no demand is found for the exportation of the metals, that is to say, when paper is found for paper upon exchange, and when merchants, versed in these matters, judge exchange (that is remittances) to be at par, if then, I say, silver bullion cannot be bought at a lower price than 65 pence the ounce, it is evident that this bullion might be bought with 65 pence in shillings, of which 65 might be coined out of the pound troy English standard silver; since 65 pence per ounce implies 65 shillings for the 12 ounces or pound troy.

This plainly shews how standard silver bullion should sell for 65 pence the ounce, in a country where the ounce of standard silver in the coin is worth no more than 62; and were the market price of bullion to stand uniformly at 65 per ounce, that would shew the value of the pound sterling to be tolerably fixed. All the heavy silver coin is now carried off\*; because it was intrinsically worth more than the gold it passed for in currency. The silver therefore which remains is worn down to the market proportion of the metals, as has been said, that is to say, 20 shillings in silver currency are worth 113 grains of fine gold, at the proportion of 1 to 14.5 between gold and silver. Now,

as 1 is to 14.5, so is 113 to 1638.

so the 20 shillings current weigh but 1638 grains fine silver, instead of 1718.7, which they ought to do according to the standard.

Now let us speak of standard silver, since we are examining how far the English coin must be worn by use.

and are worn 4.29 troy grains light of their standard weight.

The pound troy contains 5760 grains. This, according to the standard, is coined into 62 shillings; consequently, every shilling ought to weigh 92.9 grains. Of such shillings it is impossible that ever standard bullion should sell at above 62 pence per ounce. If therefore such bullion sells for 65 pence, the shillings with which it

\* This was writ during last war.

is

is bought must weigh no more than 88.64 grains standard silver; that is, they must lose 4.29 grains, and are reduced to  $\frac{1}{37}$  of a pound troy.

But it is not necessary that bullion be bought with shillings; no stipulation of price is ever made farther, than at so many pence sterling per ounce. Does not this virtually determine the value of such currency with regard to all the currencies in Europe? Did a Spaniard, a Frenchman, or a Dutchman, know the exact quantity of silver bullion which can be bought in the London market for a pound sterling, would he inform himself any farther as to the intrinsic value of that money-unit; would he not understand the value of it far better from that circumstance than by the course of any exchange, since exchange does not mark the intrinsic value of money, but only the value of that money transported from one place to another.

The price of bullion, therefore, when it is not influenced by extraordinary demand (such as for the payment of a balance of trade, or for making an extraordinary provision of plate) but when it stands at what every body knows to be meant by the common market price, is a very tolerable measure of the value of the actual money-standard in any country.

If it be therefore true, that a pound sterling cannot purchase above 1638 grains of fine silver bullion, it will require not a little logic to prove that it is really, or has been for these many years, worth any more; notwithstanding that the standard weight of it in England is regulated by the laws of the kingdom at 1718.7 grains of fine silver.

If to this valuation of the pound sterling drawn from the price of bullion, we add the other drawn from the course of exchange; and if by this we find, that when paper is found for paper upon exchange, a pound sterling cannot purchase above 1638 grains of fine silver in any country in Europe, upon these two authorities, I think,

we

we may very safely conclude (as to the matter of fact at least) that the pound sterling is not worth more, either in London or in any other trading city, and if this be the case, it is just worth 20 shillings of 65 to the pound troy.

If therefore the mint were to coin shillings at that rate, and pay for silver bullion at the market price, that is, at the rate of 65 pence *per* ounce in those new coined shillings, they would be in proportion to the gold: silver would be carried to the mint equally with gold, and would be as little subject to be exported or melted down.

Shillings coined at 65 in the pound troy, would be in proportion with the gold,

It may be inquired in this place, how far the coining the pound troy into 65 shillings is contrary to the laws of England?

which shews that the standard has been debased,

The moment a state pronounces a certain quantity of gold to be worth a certain quantity of silver, and orders these respective quantities of each metal to be received as equivalents of each other, and as lawful money in payments, that moment gold is made a standard as much as silver. If therefore too small a quantity of gold be ordered or permitted to be considered as an equivalent for the unit, the silver standard is from that moment debased; or indeed more properly speaking, all silver money is from that moment proscribed; for who, from that time, will ever pay in silver, when he can pay cheaper in gold? Gold, therefore, by such a law is made the standard, and all declarations to the contrary are against the matter of fact.

and that the preferring it where it is, is no new debasement.

Were the King, therefore, to coin silver at 65 shillings in the pound, it is demonstration *that by such an act* he would commit no adulteration upon the standard: the adulteration is already committed. The standard has descended to where it is, by slow degrees, and by the operation of political causes only, and nothing prevents it from falling lower, but the standard of the gold coin. Let guineas be now left to seek their value as they did formerly, and let light silver continue to go by tale, we shall see the guineas up at 30 shillings in 20 years time, as was the case in 1695.

It is as absurd to say that the standard of Queen Elizabeth has not been debased by enacting, that the English unit shall be acquitted with 113 grains of fine gold, as it would be to affirm that it would not be debased from what it is at present, by enacting, That a pound of butter should every where be received in payment for a pound sterling; although the pound sterling should continue to consist of 3 ounces, 17 penny weights, and 10 grains of standard silver, according to the statute of the 43 Elizabeth. I believe in that case most debtors would pay in butter, and silver would, as at present, acquire a conventional value as a metal, but would be looked upon no longer as a standard, or as money.

Proof that the standard has been debased by law,

If therefore, by the law of England, a pound sterling must consist of 1718.7 grains troy of fine silver, by the law of England also, 113 grains of gold must be of the same value, but no law can establish that proportion; consequently, in which ever way a reformation be brought about, some law must be reversed; consequently, expediency, and not compliance with law, must be the motive in reforming the abuse.

From what has been said, it is not at all surprising that the pound sterling should in fact be reduced nearly to the value of the gold. Whether it ought to be kept at that value is another question; and shall be examined in its proper place. All that we here decide, is, that coining the pound troy into 65 shillings would restore the proportion of the metals, and render both species common in circulation. But restoring the weight and proportion of the coin is not the difficulty, as I conjecture, which prevents a reformation of the English coinage.

and is at present reduced to the value of the gold.

I have dwelt longer, perhaps, than what was necessary upon this estimation of the present value of the pound sterling, and in setting the matter in different lights, have been forced into repetitions. The importance of that point in the present inquiry must plead my excuse.

## C H A P. IX.

*Historical account of the Variations of the British Coin.*

Purport of  
this treatise  
not to dic-  
tate, but to  
inquire

THE whole purport of this part of my inquiry, is, to examine and investigate the principles relating to money; to range them in order, and to render them easily applicable to any combination of circumstances which may occur. If I have applied my reasoning to the state of the British coin, it has been with no intention to erect myself as a judge of the interests of that nation, or with a design to point out to them what measure is the most expedient to be followed. I am a stranger to the true state of the question, and I reason only upon suppositions, not from exact information; upon this footing I intend to proceed.

I shall take a view of every scheme which I think may be proposed as a remedy against the disorder, and examine all the consequences which can result from each, according to the influence of the different principles under which they fall. *Circumstances bid* from me will nevertheless work their full effect, and may render the best deduced principles quite delusive, when, without attending to *them*, we pretend to draw conclusions.

how the dis-  
order in the  
coin may be  
remedied  
without in-  
convenien-  
ces,

We have examined the nature of the disorder of the coin of Great Britain, and such it certainly is, as demands some reformation. A nation so justly renowned for knowledge, so thoroughly versed in the arts of commerce, and so expert in every matter of calculation, cannot be supposed to be at any loss for a method to remove the cause of the disorder. The question is not, therefore, how to fix the standard, how to restore the proportion between the metals in the coin, nor how to render all the current money of its just weight. But the question is, how to execute this without incurring greater inconveniences than those at present felt.

If

If the smallest change should be made upon the present value of the pound sterling, the operation is arbitrary; and those who either advise it or execute it, would be answerable for every consequence. If the consequences should prove salutary to the nation, the projector will meet with applause; but if they should be attended with injustice, he will merit blame; if with perplexity and confusion, he may very possibly never see himself approved of.

The present disorder has proceeded from neglect on the part of government; a neglect however which admits of an apology, for reasons afterwards to be assigned. When an abuse creeps in by degrees, no particular person can be charged with it: when it is to be corrected, some person or other must undertake the work; and few are found who incline to be volunteers in the service of the public, upon an occasion where the interest of the nation is not clear and evident.

The best way therefore to accomplish such a work, is, to put it into the hands of the nation itself. When the people are fully instructed in the matter, when the state of the question is laid before them in a clear light, and stripped of all money-jargon, they will see the natural consequences of every innovation; and when they have well considered of them, they may resolve whether they will keep the pound sterling they have, or whether they will take another.

The question to be determined, is, what the weight of the pound sterling now is, and what it ought to be. If it be made different from what it is at present, that operation must be conducted with justice and impartiality. If a new standard is to be pitched upon, the choice is quite arbitrary, as has been said; and were any weight to be preferred to another, the best of any, no doubt, would be the pound troy of standard silver. This was the pound sterling for many ages, and the most that can be said for Queen Elizabeth's act, is, that it is the last *deliberate* adulteration by law of the English coin.

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The next question is, how to conduct that operation so as to do justice to every man in the nation in contracts already entered into; how to do justice to the creditors of Great Britain; how to do justice to Great Britain with respect to her creditors; how to do all this, I say, and at the same time to make an innovation upon the present state of the coin.

People imagine the present standard is the same with that of Queen Elizabeth.

Debasing the standard is odious in the opinion of every mortal; and it seems also to be the opinion of many, that every regulation which shall not carry the value of a pound sterling, to the value of the silver appointed to enter into it by the statute of Queen Elizabeth, is a debasing of it from what it is at present.

In order to cast more light upon the historical part of the English coinage, I shall here lay together some short observations upon the state of that question from the reformation to the present time.

Debasements of the standard during the reformation. Raised by Edward VI.

Henry VIII. and Edward VI. during the violent convulsions of the reformation, so sophisticated the fineness of the coin, and so curtailed the weight of it, that all proportion of value was lost.

Raised by Edward VI.

This run the whole nation into inextricable confusion, and forced the ministers of the young King Edward, in 1552, to restore the purity of the metals, and to raise the weight of the coin in the pound sterling, from 220 grains troy of fine silver, to which it was then debased, to 1884. Mary reduced it to 1880 grains, at which it stood during her reign. From this Elizabeth raised it in the second year of her reign to 1888 grains; and in the 43d she passed the famous statute by which it was debased to 1718.7, the present legal silver standard.

Debated by Elizabeth.

During the reign of James I. trade began to take root in England; and this pointed out the necessity of preserving the standard of their money invariable. The confusions occasioned by the former adulterations left a strong impression on the minds of the English nation in the succeeding reigns, a statute which had been preserved without alteration for many years acquired in time great authority, and the standard continued constantly attached to the silver. Gold was occasionally coined; but

Supported by her successors.

circulated

circulated only under a conventional value; and was not made a legal money. The interests of trade at last required a more extensive circulation, and King Charles II. when he first coined guineas, determined a value for their currency, in order to compass that end: but very well observing that without fixing the gold at a price below its true proportion to the silver, there was no possibility of preventing it from becoming also a standard for the pound sterling, and thereby introducing a confusion, the guinea was valued no higher than 20 shillings, and allowed to find its own value above that price.

The guinea accordingly fluctuated in its value; sometimes at 22 shillings, which marks the proportion of the metals at 1 to 15.84, sometimes at 21s. 6d. which marks the proportion at 1 to 15.6, at last at 21 shillings, which marks the proportion as 1 to 15.2, and now it is worth no more than its original statute value, to wit, 20 shillings, which marks the proportion as 1 to 14.5. These conversions are formed upon the supposition, that in all the variations the shillings are of the statute weight, and that the guinea circulated according to the market proportion of the metals; two circumstances which are by no means to be depended on.

About the time of the revolution, silver money had begun to be coined with the wheel, or fly-press, (which prevented the frauds to which coin was formerly exposed from clipping and washing) and then the custom of weighing the current money went into disuse. But as at that time there were still great quantities of the hammered money remaining, the clippers profited of the inattention of the public, and fell to work with the hammered money. The consequence of this was, that those who were obliged to pay, paid in clipped money; the value of the pound sterling fell to the rate of the then currency; all weighty coin was locked up or melted down; the guineas rose to 30 shillings, and 100 l. sterling, which in silver ought to weigh above 32 pounds troy, did not commonly exceed one half.

until it was debased by the clipping after the revolution.

The kingdom at this time was involved in a war, and was annually obliged to borrow large sums, paid in those pounds sterling currency, which were worth no more than  $\frac{1}{4}$  of a guinea, or 14 shillings of such currency as the present of 65 to the pound troy. This is evident, since the guinea was then worth 30 shillings, or  $1\frac{1}{2}$  pound sterling; and that at present it is worth 21 shillings of 65 to the pound troy.

Lowndes's scheme refuted by Locke, the standard raised to that of Elizabeth, and the consequences of that measure.

Lowndes contended strongly for having the pound sterling reduced 20 per cent. Locke insisted upon the old standard of Queen Elizabeth: the latter carried his point. A new coinage was made in 1695, and the government acquitted a great part of the debts they had contracted from the revolution (which had been paid them at the value of between ten and fourteen shillings present currency) at the rate of 20 shillings of the standard of Queen Elizabeth. This is the matter of fact: whether this was doing justice to the nation, I leave every man to determine. It must not however be believed that there was no reason for this extraordinary step. By the raising of the standard, the state gained considerably upon the score of taxes, as well as the creditors upon their capitals and interest; and the nation, which was the principal loser, was pleased; because their standard was not debased: thus all the three parties were satisfied.

Upon this coinage in 1695, the coin was once more set upon a solid footing: all money was of weight, and the pound was rightly attached to the silver standard. Upon that footing it remained, until the guinea was made a legal coin, and fixed at its then supposed intrinsic worth: here is the era of the present confusion.

Silver has been rising from the beginning of this century.

From the beginning of this century, silver has been rising in its price. In 1709, the French found it as 1 to 15, in the great coinage, by edict of the month of May; and so early as 1726, they found the proportion to be nearly as 1 to 14 $\frac{1}{2}$ , and fixed their coinage accordingly.

The English standard has been debased by law, since 1726.

We may therefore conclude, that from 1726, at least, if not several years before, a pound sterling ought to have been worth at least

least 118 $\frac{1}{2}$  grains troy of fine gold; according to the proportion of the silver standard; and yet from the inattention of government, it has constantly been suffered to be acquitted with 113. Has not this been a plain debasement of the standard for near 40 years, which we can ascertain? If it is at this time restored to where it was, will not that be raising it from what it is at present?

We have seen, from a deduction of the plainest principles, the utter impossibility of keeping an unit, which ought to be invariable, attached at once to the two metals, which are constantly varying between themselves. To this the state has not attended, nor has it probably been sufficiently informed of it, by those who were most capable, but least interested to point out the consequences.

The variations of the standard affect chiefly those who are engaged in permanent contracts, which is not the case of trading men: the obligations they contract are in a perpetual fluctuation, and by the assistance of their pen, they avoid the inconveniences which other people, who do not calculate, are liable to.

The rising of the value of silver has been all along advantageous to this class; and it would be still more advantageous to them were government to allow guineas at this time to seek their own value; as we shall observe in its proper place. Every thing which tends gradually and insensibly to debase the value of the money unit, and promote confusion, is advantageous to merchants. When this debasement proceeds by slow degrees, it is not to be discovered but by foreign exchange; because at home there is no invariable standard for money, as there is for every other kind of measure. This shall be proved.

The unit therefore being solely attached to the coin, must vary as it does.

Now the value of the coin has varied imperceptibly; and this is the reason why people imagine that such variations or debasements of the standard are not of great consequence. The greatest mistake any person can labour under! By this imperceptible debasement,

prices

prices do not rise as they ought to do; the ignorant, and those who do not perceive the gradual diminution, keep to the same nominal prices as formerly, and the merchants profit in the mean time. Is not this sacrificing the interest of all the people of England to that of the trading part of it?

The competition between the merchants betrays the secret to the multitude from time to time; but they ascribe the appearances to a wrong cause; they think every thing is growing dearer, whereas the reason is, that price (i. e. coin) is growing lighter: and as this disorder is always going on, the merchants, being the first informed of the progress of the decline of the value of the coin, must constantly be in the way to profit of the ignorance of those who have not the opportunity of measuring the value of the coin they receive by any standard measure.

This being the case, it is no wonder that the trading part of the nation has not informed government of a disorder which has brought, by slow degrees, the pound sterling to about 95 per cent. of its former value. This is a short review of the vicissitudes of the English coin from the reformation to this day: and it is at the same time an apology for the neglect of the British administration in a matter of so great consequence.

#### C H A P. X.

*Of the disorder of the British Coin, so far as it affects the Circulation of Gold and Silver Coin; and of the Consequences of reducing Guineas to Twenty Shillings.*

I MUST now take notice of the inconveniences which this disorder has occasioned to the public, and of the consequences which might follow upon adopting the remedy proposed \* for re-

\* By Mr. Harris, in his *Essay on Money and Coins*.

moving

moving it, to wit, by fixing the currency of guineas at 20 shillings, without recoining the silver at the standard of Elizabeth.

The great inconvenience felt by the public is the scarcity of silver coin, occasioned by the disproportion of the metals. No mortal will ever, as matters stand, carry silver to be coined; that which is worn by circulation, is not sufficient, even for changing gold, much less for all those small payments which, in the course of business, are absolutely necessary. This being the case, all considerable payments must be made in guineas; and as there are great numbers of these already become light by use, all the weighty are picked up, and either exported, or perhaps frequently melted down: so that, in general, the current specie of England is not sufficient for the occasions of the nation.

The great scarcity of silver coin in England, being evidently occasioned by the disproportion between the metals in the coin, it has been proposed to remedy that disorder all at once, by crying down the value of guineas to 20 shillings, without making a new coinage, or taking any measures for preventing the horrid consequences which would follow upon such a step, as matters stand at present. Whoever inclines to read all that may be said in favour of this operation, may consult Mr. Harris's *Essay upon Money and Coins*, Part II. p. 84. et seq.

My intention is not to refute the sentiments of particular people, but to trace out the principles I have laid down, and to apply them to the removing such objections as I think either plausible in themselves, or which may appear plausible to people who do not thoroughly understand those matters.

I shall then, in the first place, examine what consequence this bringing down the legal currency of guineas to 20 shillings would have upon common voluntary circulation; that is to say, buying and selling, abstracting from involuntary circulation which takes place when people are about to pay, or acquit obligations; two things

Why silver coin is so scarce.

Consequences of fixing the guinea at 20 shillings, with regard to circulation.



things totally different in themselves, and which ought carefully to be set asunder.

will make  
coin disap-  
pear alto-  
gether.

The consequences of reducing guineas to 20 shillings, without a re-coinage of the silver, will be, 1. To fix the standard of the pound sterling to the mean proportion of the worn out silver money in present currency. 2. To make the light guineas, which are below the value of 20 old shillings, to pass by tale for pounds sterling; though intrinsically not worth the new guineas. 3. To occasion the melting down of all the new guineas. And 4. When once the coin is brought to consist of nothing but old unequal pieces, to occasion the heaviest of these to be melted down in their turn, until at last coin must disappear altogether.

If to supply specie, government shall send silver or gold to be coined at the mint at the legal standard, the moment it appears, the old shillings and the light gold will buy it up, and it will be thrown into the melting pot. This will stop even the melting down of the more weighty pieces of the old specie; because (by this trade) they will become more valuable; since in currency they will be an equivalent for the new specie of full standard weight. No private person surely will carry either of the metals to the mint, because there they would receive but 62 shillings or 44  $\frac{1}{2}$  guineas for their troy pound of the respective metals, whereas in the market they will get a greater number of old shillings and guineas to buy, weight for weight, which will serve the same purpose in circulation.

How light  
shillings are  
bought by  
weight.

Let not my reader laugh at the scheme of buying old shillings at the market by weight. The thing is done every day. For whether I sell my silver bullion for 65 shillings *per* pound (paid in shillings, guineas, or bank-notes) or buy old shillings weight for weight, it is quite the same thing. The reason why people do not sell the old shillings by the pound, is only because they are not all of the same weight, although they be all of the same value in circulation; but they sell their bullion, as it were, against old worn shillings re-  
duced

duced to a mean proportion of value; which sale of bullion is virtually buying old shillings at market by weight. A man, therefore, who can with a pound of silver bullion buy the value of 65 old shillings, will certainly never employ it to buy 62 heavy ones from the mint, which are no where worth more, except in the melting pot. The same is true of the gold.

I have endeavoured to shew by the plainest arguments, that no silver coin, the value of which is above the value of any other currency within the kingdom, can remain in circulation, or can escape the money-jobber and the melting pot. I think this is a point pretty well agreed on all hands; because it is the argument made use of against those who propose to introduce shillings of base metal into circulation, as an expedient for procuring change for the gold: a scheme so entirely repugnant to all the principles of money, that I have taken no notice of it.

If, therefore, it be true, that the shillings are really worth no more than  $\frac{1}{4}$  of a guinea, what effect would the law, reducing guineas to 20 shillings, have as to merchants? Guineas would pass as before with every banker in London for 21 shillings, and 21 shillings for a guinea.

That guineas would still pass current for 21 shillings.

But as we suppose no new coinage set on foot, and that the light silver would continue to pass current by tale, as at present, what security would there be for the pound sterling not falling every year lower? The standard would then be entirely affixed to the old silver; and no man would pay in guineas at 20 shillings, any more than he will now pay in silver of standard weight. The only expedient then to obtain coin would be, to allow guineas to seek their own value. Upon this they would rise to 21 shillings, which is their intrinsic worth. In this case, would not the shillings, by becoming lighter, become of less value in proportion to the guinea? Was not this the case 1695? Did not this abuse raise the price of guineas, and proportionally debase the worth of the pound sterling?

That the standard would be affixed to the light silver, as it was in 1695.

That merchants would gain by it;

As every thing, therefore, which gradually debases the standard, must be advantageous to those who can avail themselves of it, so the making gold a merchandize, while the bulk of the nation has no standard to measure it with, must be advantageous to those who have a sure one, to wit, the foreign exchange.

debtors would be ruined.

Besides the evident tendency such a measure would have to debase the standard, below the present value, it would be accompanied with the most ruinous consequences to all the class of debtors. I shall beg leave to state an example. A person is debtor, I shall suppose, for a great sum, 100,000*l.* his creditor demands payment. He offers guineas at the current and conventional value of 21 shillings, the creditor refuses the offer; he offers bank notes, refused: it is no excuse to say that 100,000*l.* of silver coin cannot be picked up; he who owes must find it. The creditor tells him that the mint is open. Here the debtor is obliged either to part with his guineas at 20 shillings value, or to carry silver, which costs him 65 shillings the pound troy, to the mint, and to pay it to his creditor at the rate of 62. There would be still some consolation, if, from such a hard necessity, the state were to be provided with weighty coin; but that is not the consequence. The creditor is no sooner paid in silver, than he throws his coin into the melting pot, and then sends the bullion to market to be sold at 65 pence the ounce in bank notes.

Consequences as to the bank.

He next goes to the bank, and demands payment of his notes. It is not to be supposed that there is old worn silver enough there to pay all the notes in circulation. The bank must be in the same situation with every debtor, it must send silver to the mint; not as perhaps at present to be afterwards exported, or to furnish work for the mint and then to be melted down again, but to acquit the notes which it had issued in lieu of light silver, or guineas at 21 shillings. The creditor melts down his new silver again, sells it as bullion for bank notes as before, and returns upon the bank with a new demand.

It

It is the same thing as to this last supposition, whether the guineas be left as merchandize to seek their value, or be fixed at 20 shillings; for no man upon earth will give a heavy guinea for 20 shillings present currency; and if debtors were obliged to pay at that rate, the hardship would be exactly the same as in the foregoing supposition; for the difference in paying with heavy silver or with good guineas at 20 shillings, is no more than that of 1718.7 to 1719.9; a guinea, which weighs 118½ grains fine gold, being worth 1719.9 grains of fine silver, according to the proportion of 1 to 14½, and a pound sterling, according to statute, is worth no more than 1718.7 grains of the same metal.

We may therefore conclude, that the scheme of reducing guineas to 20 shillings must proceed upon the supposition of a new coinage of all the silver: without this, the same confusion as to the coin would remain as formerly; a new disproportion of the metals would take place; no body would pay in gold, as at present no body will pay in silver.

## CHAP. XI.

### *Method of restoring the Money-unit to the Standard of Elizabeth, and the Consequences of that Revolution.*

COME now to the proposal of restoring the standard to that of the statute of Elizabeth, which is in other words the same with what has been proposed in bringing down the guineas to 20 shillings; only that it implies a new coinage of all the silver specie and of all the old gold. Nothing is more easy than to execute this reformation.

I. The first step is to order all coin, gold and silver, coined preceding a certain year, to pass by weight only.

F f f 2

II. To

II. To preserve the mint price of silver as formerly, at 5 s. 2 d. for the ounce, and to fix that of gold at 3 l. 14 s. 2 1/2 d. for the pound.

III. To order the pound troy standard silver to be coined as formerly, into 62 shillings, and the pound of gold into 44 1/2 guineas.

IV. And last of all, to order these guineas to pass for 20 shillings.

Thus the standard is restored to the value of the silver by the statute of Elizabeth, the metals are put at within a mere trifle of the proportion of 1 to 14 1/2: all the coin in the kingdom is brought to standard weight: no profit will be found in melting or exporting one species preferably to another: exchange will answer, when at par, to the real par (when rightly calculated) of either silver or gold, with nations, such as France, who observe the same proportions: and the pound sterling will remain attached to both the gold and silver, as before.

The consequences of this reformation will be to raise the standard 5 per cent.

The consequences of this reformation will be, that the pound sterling will be raised from 1638 grains fine silver (the value of the present worn silver currency) to 1718.7; and from 113 grains fine gold (the present gold currency) to 118.644; that is to say, the value of the pound sterling will be raised upon both species 4.9 per cent. above the value of the present. This all creditors will gain, and all debtors will lose. From the day of the regulation, the exchange upon all the places in Europe will rise 4.9 per cent. in favour of England, and every man who is abroad, and who draws for the rents of his estate, will yearly gain 4.9 per cent. upon his draughts or remittances made to him. Whether prices in England will fall in proportion I do not know; one thing is pretty certain, that every article bought for foreign exportation will fall; for this good reason, that merchants will not be the dupe of this innovation, nor will they buy with heavy money at the same rate they were in use to buy with light. Justice will be done to all gentlemen whose ancestors let their lands in the reign of Queen Elizabeth, or at any time since, when gold and silver were at the proportion of 1 to 14 1/2, and when the silver coin was at its standard weight.

weight: All taxes imposed by pounds, shillings, and pence, will be raised; all those imposed at so much *per cent.* of the value will stand the same, but will appear to sink in the denomination; that is, they will produce as much value, but fewer pounds, shillings, and pence, than before. The nation will lose 4.9 per cent. upon the whole capital and interest of the public debts: this the creditors will gain. The bank will gain in its quality of creditor upon the public, and will lose (together with all the bankers in England) 4.9 per cent. upon all their circulating paper. All annuitants, landlords, and creditors of every denomination, whose contracts are under 30 years standing, will gain. All debtors, mortgagors, tenants, whose contracts are of a fresher date, will lose. All merchandize whatsoever ought to fall 4.9 per cent. in its value; and every farthing any thing falls less in its price is lost to the consumers.

These are some of the most evident consequences which must result from this plan of reformation, and the nation is the best judge how far they will contribute to her advantage.

Either this reasoning is just, or all the principles I have laid down are false from the beginning.

A wise nation, I apprehend, is actuated by a spirit of justice. Every class, every denomination of inhabitants is equally entitled to the protection of a good government. Whatever step of administration can profit one set of men, to the detriment of another, is ill combined: whatever step can do justice to one set of men who have wrongfully suffered loss, to the detriment of another who have unjustly gained, is well combined. Upon these principles it is impossible to approve of the operation we have described. It is a political hodge-podge: it is, as it were, throwing all the interests of Great Britain into a bag, and drawing them as in a lottery.

We must, therefore, enter into a more particular examination of those opposite and jarring interests; we must inquire into the interests

Every interest in a nation equally entitled to protection.

terests which have suffered, and which continue to suffer, from the actual debasement of the standard, and into those which must suffer upon a restitution of it according to the plan proposed. When we are informed concerning the sufferers, we shall easily perceive who must be the gainers.

Those who suffer by the debasement of the standard,

Those who suffer by the debasement of the standard, are

1mo. Every person who is creditor in a contract entered into before the debasement of the standard.

2do. In proportion as the disorder in the coin continues, and as the currency becomes lighter, every man who sells to merchants is a loser.

In a trading nation such as England, it is not possible that any currency can long sustain itself by virtue of the stamp, at a higher value than its intrinsic worth. Whoever therefore, from a habit of selling any particular merchandize, continues to consider a currency which is daily becoming lighter as remaining at the same value, is deceived in his dealings by every man who is instructed in the matter of fact.

ought only to benefit by the restitution,

Those, I think, are the only persons who are really losers by the debasement of the standard, and who have a right to be redressed.

I must not omit however, to mention another set of people infinitely more considerable than both, who think fit to rank themselves in this class, without having the smallest pretension to enter into it.

These are such who would be gainers, were the government of England to restore the standard upon the supposition that justice required it, without giving themselves the trouble to examine into the merits of that important question.

and not the whole class of creditors,

Of this class are all the public creditors, all enjoying any salary, pension, or pay whatsoever for personal service; all annuitants, landlords, &c. In short, every man in the kingdom, so far as he is a creditor upon any public or private interest.

But

But to this class I must beg leave to put a question: What title has any person to receive in payment one grain of silver or gold more than he had stipulated from his debtor at the time of contracting, because the government of Great Britain thinks proper to make a new regulation with respect to their coin? If it be true that every man has a right to complain of the *debasement* of the standard so far as he is thereby defrauded of that weight of the fine metals which he was entitled to receive, surely every man has a right to complain of the *rising* of the standard, who thereby becomes obliged to repay more weight of the fine metals than ever he received value for.

In justice and in common sense, the raising of the standard of the coin ought never to be allowed to benefit any person but those who have been unjustly sufferers by the debasement of it, nor ought it ever to be prejudicial to any person but to such as by the debasement have been unjustly gainers.

In every contract where neither of the parties can produce any palpable loss sustained by the former debasement of the standard, the alteration ought to have no manner of effect. All debts of whatever kind, ought to be liable to a fair conversion, as much as those contracted in guilders, florins, livres, &c. when they come to be paid in pounds sterling. The old and the new standards are not the same, because they carry the same denominations of value, any more than a piastre is a pound, because they begin with the same letter.

All the world must agree that the standard of queen Elizabeth is debased, and that a pound sterling is no longer worth 1718.7 grains troy fine silver. Every body must also agree that were the standard restored, merchandize of every kind ought to fall in value.

If therefore, after the restitution, a person who has merchandize to buy, shall have the privilege to proportion his price according to the change of money, why should another who is a debtor be in a worse situation? Why should permanent contracts be obligatory according

ording to language, and momentary contracts, such as sale, be obligatory according to things?

Two people hire each a servant, the one stipulates to pay twenty guineas wages, the other stipulates twenty-one pounds sterling: the standard is in a short time after restored in the manner we have been describing; can any thing be more absurd, than that he who stipulated the twenty guineas, shall be quit after the restitution, on paying the twenty guineas as before, and that he who stipulated the twenty-one pounds sterling, shall be obliged to pay twenty-one guineas?

What pretension therefore can any man who is possessed of a salary, an annuity, or of a bond or other security for a sum due to him by another, have to be paid the same number of pounds sterling stipulated at first, when the pound comes to be increased in its intrinsic value 5 per cent. above the value it had when the obligation was contracted?

## C H A P. XII.

*Objections stated against the Principles laid down in this Inquiry,  
and Answers to them.*

I Hope it will be remarked, that I do not pretend that the coining the pound troy standard silver into 65 shillings, or the making a new coinage upon the old footing of 62, reducing the guineas to 20 shillings, and then allowing conversions from the old to the new standard at a deduction of 5 per cent. upon permanent contracts formerly entered into, is not a manifest debasement of the value of the pound sterling, from what it was while affixed to the silver according

ording to the statute of Elizabeth. All I pretend to allege is, that neither of these operations (which are nearly the same thing) would be a debasement of the present value of the pound sterling, or of what it has been worth for these thirty years past at least.

But as this opinion is by no means generally adopted, I must now do justice to its adversaries, and set before the reader the several objections which may be opposed to it.

OBJECTION I. That the force of habit is so strong in uniting the ideas of value to the denominations of coin, that a pound sterling, whether it be raised or no, will always carry along with it the same measure of value: that merchandize will not sink in price according to the due proportion of the rise: that if conversions are suffered, the confusion will be endless; and that in the main, the diminution thereby operated upon the *numeraary*, will turn out a real diminution upon the *intrinsic* value.

Obj. II. That the disorder in the proportion of the coin, and the wearing and lightness of the currency are not a real debasement of the standard. That the money-unit preserves its intrinsic value, in virtue of the statute of Elizabeth which establishes it. That it is false to allege that the English standard is solely affixed to the coin, or that it has no invariable measure to be compared with. That the pound sterling is really fixed to that statute not to the coin; and therefore that no variation of the coin, but only a variation of that statute, can change the standard.

Obj. III. That the pound sterling is still virtually, and in many respects worth the silver statute of Elizabeth, although traders in bills of exchange, and jobbers in the metals may make it appear otherwise. That consequently a new regulation either by the coinage of silver at 65 shillings in the pound troy, or by admitting deductions of 5 per cent. upon the old standard, on pretence that a pound sterling is worth no more at present than 1638 grains of fine silver, is not preserving the standard at what it has been these thirty years, but really a debasement of it from the present value.

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Obj. IV.

That these principles imply a progressive debasement of the standard every new coinage.  
 OBJ. IV. That if the rubbing and wearing of the coin be said to debase the standard in spite of all statutes, and if every new coinage is to be regulated by the weight of the former grown light, in order to support the actual value of the money-unit, it is plain, that in time that unit must be reduced to nothing.

That the same argument holds for debasing the standard measures of weights, capacity, &c.  
 OBJ. V. That were the measures in common use, by wear and by fraudulent practices, rendered less than the standard measures kept in the exchequer, it would appear manifestly absurd, for that reason, to diminish these standard measures. That for the same reason, while the statute of Elizabeth subsists, it would be equally absurd to diminish the silver standard of the pound sterling.

That the wearing of the coin falls on them who possess it at the crying down, but does not debase the standard.  
 OBJ. VI. That debasing the standard by law is violently invading every man's property; that when the coin is debased by circulation, the loss only falls upon him who happens to be in possession of any part of it at the time it is cried down.

That inland dealings, not the price of bullion, or course of exchange, regulate the standard.  
 OBJ. VII. That although merchants and money-jobbers may consider the value of a pound sterling according to its weight of silver or of gold; and although exchange and the price of bullion may make it appear to be at present of no greater value than 113 grains of fine gold, and 1638 grains of fine silver; yet still in inland dealings it is worth its standard weight, to wit, 1718.7 grains of silver; because the inhabitants of England never consider their money by its weight, but by tale. The currency by tale regards the standard, as currency by weight regards the coins themselves.

That the quantity of money which goes abroad, or even the quantity of foreign dealings, is so inconsiderable, when compared with domestic circulation, that the value foreigners put upon English money can but very little affect the value of it in the country.

That public currency supports the value of the coin.  
 OBJ. VIII. That the coin, though light, being received by the King in all the public offices for its value, keeps up that value to the standard, notwithstanding its being under the weight.

That this scheme is the same with that of Lowndes.  
 OBJ. IX. That the scheme proposed is the same with that proposed by Lowndes in 1695, so fully refuted by Mr. Locke, and rejected by the decision of the nation on a parallel occasion.

In

In order to leave nothing unfaid which can tend to set this matter in a clear light, I shall briefly give an answer to all these objections, in the most distinct manner I am capable of. I have gathered them from every quarter, particularly from Mr. Harris. I have endeavoured to state them in all their force, and I shall answer them with candor, according to the principles laid down, and according to uncontroverted matters of fact.

ANSWER TO OBJECTION I. Here I reply, that no habit any people can contract, is strong enough to blind them with regard to their interest. Nothing is so familiar in many countries, as to raise and sink arbitrarily the numerary value of the several denominations of coins; but no sooner is the change made, than it becomes familiar, even to the children of twelve and fourteen years old; and any person who has had occasion to travel, must have been astonished at the acuteness of the common people in their knowledge of the value of coins. The habit of uniting ideas to old pounds sterling will, upon a restitution of the standard only, be found in the heads of sellers and creditors; buyers and debtors will very quickly learn to profit of a deduction of 5 per cent. provided they are legally authorized to do it. It will greatly depend upon government to oblige commodities to follow the just proportion of their worth, by making conversions of the taxes, new regulations of assize, for bread, beer, &c. and by putting into the hands of the people convenient tables for that purpose. When the thing is once understood, the execution will be easy.

ANSW. II. Could it be made out that the standard of the pound sterling is affixed to the statute of Elizabeth, and not to the coin, this objection would be invincible. But were the matter so, the payment of all obligations might be exacted by weight of silver; because the statute regulates nothing else. A man owes me a thousand pounds, he makes me a legal offer of silver or gold coin to the current value, were the standard affixed to that statute, I should have the privilege to refuse both the current species, if light or ill proportioned,

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proportioned, and demand of him to weigh me down 1718700 grains of fine silver, or 1858060 grains weight of the nation's silver coin.

As this is not the case, the standard is not affixed to the statute of Elizabeth; consequently, not affixed to an invariable measure; consequently, must vary according as the coin varies, to which alone it is by law attached.

No body can be obliged to pay 1718.7 grains of fine silver for a pound sterling. ANSW. III. That if it is said, that the pound sterling is in any case of the value of 1718.7 grains of fine silver, I am entitled to ask who can force any man in Great Britain to pay him at that rate? But if it be true on the contrary, that there is not any pound sterling due within that kingdom which may not be legally acquitted with 113 grains of fine gold, or with 1638 grains of fine silver, then I am authorized to state the present value of the pound sterling at that rate. If this be the case, then the addition of one grain of silver or of gold more, in a new coinage, necessarily implies a raising of the standard.

That it is not the regulation of the mint, but the disorder of the coin, which must debase the standard. ANSW. IV. This objection lies against the rubbing of the coin, not against the regulation of the mint. I have frequently observed, that it is the rubbing of the coin which of itself debases the standard, in spite of the statute as it stands, but not in spite of what it might be.

There is no doubt, that as long as any nation permits her current coin to pass below the standard weight, by virtue of the stamp, she by that neglect, opens a door to the debasement of the standard, and totally disappoints that part of the statute which regulates the weight; consequently the act of making a new coinage afterwards, at the then debased value, is not of itself a new debasement.

The new coinage, in that case, is a temporary interruption put to the circulation of coin unequally worn, which is what occasions, more than any thing, the progressive debasement of the standard; but it is no new debasement in itself, nor is it any preservative against debasements for the future.

If

If it be not provided by statute, that debtors shall make good the weight of the coin with which they pay, in one way or other, of necessity the state must either go on regularly debasing her standard every new coinage, or be obliged to raise it by jerks, to the detriment of all the debtors who have contracted during the preceding debasement.

ANSW. V. The comparison between the standard weights in the exchequer, with the standard of the pound sterling, is not just. If a merchant offers me grain, bullion, or cloth, by a measure which is not of the legal content, weight, or length, I may refuse it. I have even an action against him for fraudulent dealing, in case I shall have unwarily accepted of the merchandize. But I cannot reclaim (as has been said) the measure of the money-unit according to the statute. That people are obliged to measure by the standard weight, but are not obliged to pay by the standard pound.

Now let me suppose, that for 40 years no access could be got to the standard measures of the exchequer, that during this time all the measures of the nation should be debased; that notwithstanding this, the landlords over all England should continue to stipulate their rents in grain, by the debased bushel of their respective counties: if after 40 years of such confusion, the exchequer should be opened, and all measures fitted to the standards, would it not be a horrid piece of injustice not to allow both landlords and farmers who had entered into leases within the 40 years, the liberty of converting their rents from the *debased* to the *standard* bushel.

ANSW. VI. This objection proceeds entirely on the supposition, that it is the *altering the statute*, and not the *rubbing of the coin*, or the *changing the proportion of the market price of the metals* which debases the standard. That the loss upon light money, when called in does not fall upon the possessors.

Were that proposition true, the consequence drawn from it would be true also, to wit, that the loss by the wearing of the coin remains entirely suspended until the worn coin is all at once cried down. But if I can prove, that the wearing of the coin does not fall upon the person in whose hands it is found when cried down, except

except only so far as it happens to be below the mean weight of the whole currency, or so far as the person is a debtor, and unjustly obliged, by an arbitrary law, to pay what he had received in light, with heavy coin. If this, I say, be true, I hope it will follow, that there is not the least force in this objection. This consequence is plain.

It is certain, that by the wearing of the coin there is a loss incurred by somebody; if it be proved that it is not incurred by the person in whose hands the light coin is found when cried down, it must follow, that it has already fallen proportionally upon those who, in the mean time, have been considering it as of the standard value, while it has been really below it.

Here follows the proof of this proposition.

I shall suppose the silver coin of Great Britain is actually so worn as to be *5 per cent.* lighter than its standard weight at a medium. If at that time the silver is ordered to be recoined of the standard weight, I say the currency, after the coinage, will be *5 per cent.* better than before. Ought not then all merchandize to fall *5 per cent.* in value upon this revolution.

Two men (A) and (B) have, the day before the calling in of the light specie, each a thousand pounds sterling of it in tale; (A) goes to market and buys corn with his thousand pounds, (B) keeps his coin, and next day is obliged to carry it to the mint, where he sells it at *5 per cent.* discount; that is, for nine hundred and fifty pounds of new heavy silver coin. (B) after this operation goes to market; and finding grain fallen in the price *5 per cent.* he with his nine hundred and fifty pounds, buys just as much as (A) had bought the day before with his thousand pounds. I ask what loss (B) has suffered in carrying his silver to the mint?

But if we suppose the thousand pounds in silver tale money, which (B) had, to be worn more than at the rate of *5 per cent.* then he would lose all the difference; because the price of things would fall only according to the general proportion of the rise upon the value

value of the currency: but on the other hand, he would gain upon the supposition that his thousand pounds should happen to be less worn than the *5 per cent.*

Can any thing, therefore, be more absurd, than to appoint by law, that one, who shall at this time happen to be indebted for a thousand pounds, shall be obliged to pay this thousand pounds in heavy money, when he had borrowed it in light.

We have seen how (B) in buying corn with nine hundred and fifty pounds of the new coin, got as much as (A) had got the day before with his thousand. But suppose they had both bought grain the day before the crying down of the coin, (A) with his money, (B) with a note payable next day, how absurd must any law be, which should oblige (B), for one day's credit, to pay at the rate of *5 per cent.* increase of price; and this because of the accident of calling in of the money: an event he could neither foresee or prevent.

We may, therefore, conclude, that while the coin of a nation is upon the decline from the standard value of the unit (as it ought to be preserved by some invariable measure) those only through whose hands it circulates, lose upon what they have, in proportion to the debasement of the standard, while the coin remains in their hands.

ANSW. VII. It has been said, and I think proved, that in a trading nation, such as England is, nothing can long support the value of the money-unit (while affixed entirely to the coin, and while coinage is free) above the intrinsic value of the metals contained in it. I must now shew how the operations of foreign trade have the effect of regulating the value of the currency, in the hands even of those who consider coin merely as money of account; who give it and receive it by tale; and who never attend to the circumstances of weight, or proportion between the metals.

The price of commodities, in a trading nation, is not settled by private convention, but by market prices. Foreign markets regulate

That inland dealings cannot support the standard where there are money-jobbers or foreign commerce.



late the price of grain, which regulates, in a great measure, that of every other thing; and the price of grain is regulated by the value which other nations pay for the pound sterling, by which the grain is bought. If, therefore, the lightness of the coin debases the value of the pound sterling in foreign markets, it must, for the same reason, raise the price of the grain bought with these pounds sterling; because the value of the pound sterling has no influence upon the value of grain abroad. The domestic competition between the merchants in the buying of the grain at home, informs the farmers of its value abroad; and they, without combination of circumstances, esteem it and sell it for inland consumption, at a value proportioned to what it bears in foreign markets; that is to say, proportioned to the actual value of the coin. Thus English farmers, although in buying and selling they do not attend to the weight of the coin, regulate their prices exactly as if they did.

I ask, What is meant by this expression, *that the lightness of the coins is no ways considered in any of our internal dealings with one another. Currency by tale refers only to the legal standard, as currency by weight doth to the coins themselves?* (Essay upon money, Part 2d, p. 79.) Will a person who considers his light shilling as a standard coin, buy more with it than if he considered it by its weight? Will any man in England sell cheaper to a porter, who never considered his shilling farther than to look at the King's head, than he would to a Jew, who has had his shilling in a scale, and who knows to the fraction of a grain what it weighs? Which way, therefore, (in a trading nation) can money possibly be worth more than its weight? I comprehend very well how one shilling may be better than another to a money-jobber; but I cannot conceive how any shilling whatever, which passes by tale, be it light or weighty, can ever be worth more than according to the mean weight of the present currency. People, therefore, who know nothing of the value of money, may lose by giving away their heavy coin; but I cannot see how ever they can gain in their inland dealings, or how they can ever circulate

culate their light coin for more than the value of the present currency.

We may, therefore, lay down the following principles: *imo*, That, in a trading nation such as Great Britain, where coinage is free, the value of tale-money is exactly in proportion to the mean weight of the whole currency. *2do*, That the money-unit being only affixed to the coin; is exactly in proportion to its weight. *3tio*, That when the intrinsic value of all the coin is not in the exact proportion of its diminution, the operations of trade will strike the average, or mean proportional. *4to*, That when this is done, those who pay by tale, in coin which is worth more than the mean proportion, are really losers; and those who pay by tale in coin below that value, are really gainers, whether they know it or not.

ANSW. VIII. The authority given to coin, by its being every where received in the King's offices, is entirely confined to its currency, and not to its value. The consequence of its being received at the exchequer according to tale, makes coin which is not worth a pound sterling pass as if it were so. This debases the value of the pound, but gives no additional value to the coin. Is not this debasing the standard by authority, since it may oblige a creditor who lent 100 *l.* to accept of  $\frac{2}{3}$  of the value, as a legal payment.

The pounds sterling paid into the exchequer are no better, nor will they buy more of any commodity, than the worst pound sterling that ever came out of the hands of a money-jobber; and therefore contribute nothing to keep up the value of the coin. Merchants who know the value of coin, are those who regulate prices; and the public sale of one hundredth, nay of one thousandth part of a commodity sold by retail through all the nation, is sufficient to regulate the price of it every where. If this be true, to suppose that a pound sterling being regulated by statute, can add any thing to its value; or that my right is left unviolated, when I have been every day for these forty years giving my pound for

what I ought to buy for 19 shillings of Queen Elizabeth's standard, is as ideal a representation of the value of right as any thing I have ever heard.

If it be said, that this right implies a title to be indemnified by a reformation, or a restitution of the standard, for the loss I have sustained by the gradual debasement of it: I reply, that a state must examine the nature of my claim, and do me justice, without all doubt; but it does not follow as a consequence, that because a creditor in an old contract has been a loser by his debtor, that therefore all the creditors in the nation should share in the benefit of his restitution, at the expence of debtors, from whom they have suffered no loss.

ANSW. IX. I own the scheme proposed is pretty much the same with that proposed by Mr. Lowndes; and I must here give a satisfactory answer how a project so solidly refuted in 1695, can possibly be eligible in 1760.

First then, I say, that the question was not then understood. Mr. Lowndes put it upon a wrong issue, and supported his argument upon wrong principles. He insisted, that his scheme implied no debasement of the former standard. He ascribed the rise of the price of bullion to the rise of the intrinsic value of silver, and not to the lightness of the coin with which it was bought. He always supposed, that the stamp, and not the substance, made the currency. A light shilling and a heavy one were both shillings, according to him. He proposed reducing the weight of the silver coin 20 per cent. below the standard of Elizabeth, because he was ashamed to propose more; but a reduction of 33 per cent. or rather 50, would hardly have brought the pound sterling to the mean value of the silver currency at that time.

Mr. Locke, on the other hand, supposed the whole dispute to rest upon one point, to wit, Whether or not Mr. Lowndes's scheme implied a debasement of the standard? He reasoned upon sound principles, and with good sense; but he did not turn his attention

to

That the scheme is similar to, tho' not the same with that of Lowndes.

Lowndes reasoned upon wrong principles

Locke attended to supporting the standard, without attending to the consequences.

to the only object which fixes ours at present, to wit, the interests of those who are engaged in permanent contracts.

Mr. Lowndes's great argument for reducing the standard was, that silver bullion was risen to 6 s. 5 d. per ounce, (that is, that it might have been bought with 77 pence of shillings of  $\frac{7}{11}$  part of a pound troy) and therefore he was of opinion, that the pound troy should be coined into 77 shillings; which was diminishing the value of the pound sterling about 20 per cent. or  $\frac{1}{5}$ . Mr. Locke answered him very well, that the 77 pence were paid in clipped money, and that those 77 pence were not in weight above 62 pence standard coin. This answer is quite satisfactory. But I ask, whether Mr. Locke would have been of opinion that any man who had borrowed 1000 l. sterling in this clipped money, ought to have been obliged, upon a reformation of the standard, to pay back 1000 l. sterling in standard weight? These gentlemen, Mr. Lowndes and Mr. Locke, examined very slightly the influence which altering the standard might have upon the interest of debtors and creditors; which is the only consideration that makes the reformation difficult to adjust at present. So great an influence in every political matter has the change of circumstances! Credit then was little known; consequently the mass of debts in England was small: now it is universally established, and the mass of debts active and passive is very great, and forms a very considerable interest in Great Britain.

In those days the landed interest, and the interest of the crown, were only attended to. Trade at that time was almost at a stop, and had been ruined by a piratical war. The evil was past a remedy, consistent with justice. Credit was very low, and daily declining, and demanded an instant reformation of the coin. Restoring the standard was the most favourable, both for the landed interest and the exchequer; and so it was gone into. The nation, and every debtor, was robbed by their creditors; but they did not perceive it; and what we do not see, seems to do us no harm. The question,

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question, therefore, is very different: circumstances must constantly be examined, and according to these every political question must be decided.

I have already observed, how the introduction of milled coin had the effect of introducing the clipping of that part which had been coined with the hammer. Guineas, at the revolution, (if I am well informed) passed for 21 shillings and sixpence. Gold was then to silver, over all Europe, rather above the proportion of 1 to 15, as appears by the famous regulation in 1692, called the convention of Leipzig, when the German coinage was settled; and it appears also by the proportion observed in France; and in Spain it was still higher, being as 1 to 16. At this rate we may be certain, that at the revolution the English silver was standard weight; because the guinea being left to seek its own price above 20 shillings, the statute value, did not rise above 21 shillings 6 pence, which marks the proportion to have been as 15.6 is to 1. The guinea, therefore, would not have failed to have risen higher, had the silver coin been light.

From 1692 to 1695, that is, in *three years time*, (Locke's *Farther Confid.* p. 74.) the progress of clipping went on with such rapidity, that guineas rose from 21 shillings 6 pence, to 30 shillings; and according to a very sensible letter which lies before me, signed G. D. and printed in 1695, intituled, *A Letter from an English merchant at Amsterdam, to his friend in London*, I find there was at that time no determinate value at all for the pound sterling: so great was the difference of the currencies! As a proof, he says, that 100 pounds sterling in silver, which ought to weigh 32 pounds troy, weighed then commonly between 14 and 18. At which rate guineas were very cheap at 30 shillings: they were worth above 40 shillings: and Davenant says, that five millions then borrowed by the state did not produce the value of two millions and a half.

It would be foreign to the present purpose to enter into a particular disquisition, in order to shew the difference between the political

Political circumstances are greatly changed.

litical state of England then, and at present: let it suffice to remark in general,

I. That there was then no possibility of determining what the current value of a pound sterling was. It varied every month, and was daily declining. At present it is nearly of the same standard as it has been for many years.

II. The money-unit then had nothing to preserve it at any determinate value. The silver, to which it was affixed, was clipped three times in a year, while the gold sought its value as a commodity. At present the gold cannot vary: the guinea is fixed, and must pass for 21 shillings, let the silver be ever so light; and this gives a determinate value to the pound sterling.

III. In 1695, the whole disorder had been coming on with rapidity; at present it has advanced with imperceptible steps: consequently,

IV. At that time the number of permanent contracts which stretched beyond the æra of the debasement of the standard, were many; at present they are few.

V. In 1695, a money'd interest was hardly known. The rich had their money in their chests; now they have it in their pocket-book.

VI. The difference between the currency and the legal standard in 1695, was one-half: at present it is one twentieth.

VII. The debts of the nation did not then exceed 12 millions: now they exceed 140 †.

VIII. Many sums then had been borrowed on assignments of certain branches of the excise, the amount of which was uncertain, and deficiencies (which in such cases are unavoidable) were not made good to the creditors. At present all is paid in determinate sums of pounds sterling.

IX. And lastly, the question was not understood. Locke and Lowndes felt, but did not see distinctly, wherein the difference of

† In 1766.

their sentiments consisted: and those who only *feel* never describe with perspicuity.

It was then generally imagined that a *pound* could never be more than a *pound*; but at present people know how to reckon coin by grains, and see clearly that 1718 is more than 1638.

For these reasons I apprehend, that a scheme, similar to that proposed by Mr. Lowndes, may now be mentioned without offence; that the people of Great Britain are just now as good judges of what is for their interest, as they were in 1695. And if the decision of a former parliament is alledged in favour of the old standard, I answer, that such arguments are only good, when people are disposed to pay a greater deference to the sentiments of their fathers than their own; which I am apt to believe is not the case at present.

Reconciliation of the two opinions.

If these answers are found satisfactory, we may conclude, that in whatever way the disorder of the British coin is removed, the change ought to be made in such a manner as neither to benefit or to prejudice any, but such as have lost or gained by the debasement of the standard. Lest, however, that these answers should be perplexing only, without drawing conviction along with them, (which in matters of dispute is frequently the case) I shall say something farther upon this subject, with a view to reconcile two opinions, which are perhaps more opposite in appearance than in reality.

I have already apprized the reader, that I pretend to reason only upon principles, not upon exact information of facts. Circumstances which are hid from me, will nevertheless work their full effect, and may render the best deduced principles delusive, when, without attending to them, we pretend to draw conclusions.

Now, such circumstances in the present case there must certainly be; otherwise every body in England would agree, that the standard is at present actually debased, and that the restitution of it would effectually be raising it from what it has been for these

many years. Upon this supposition, the consequences we have drawn must be allowed by every body to be just and natural.

Nothing, I think, is more certain, than that all men would be of the same opinion upon every proposition, were such propositions well understood, and did all parties make the application of them to the same object, and in the same sense.

If this be true, let me try to give a reason how it happens that there are different sentiments in England upon the method of restoring the standard.

I. First then, the question is not understood; and the principal thing which obscures people's ideas concerning it, is their constantly attending to the denominations of the money of account, instead of attending to the denominations of the coin. These two things are universally confounded. A pound sterling is always a pound sterling, no doubt; but the grains of silver which compose one pound sterling are not the same in number with those which compose every pound sterling. Now, the moment money is realized in the metals, and that the standard measure of value is affixed to them, let them be worn or not, it is very evident that nothing but the grains of the metal in the several pieces can represent the scale by which the coin becomes a measure of value. Whenever, therefore, people lose sight of this undoubted truth, and begin to measure by the denominations of the ideal money of account, without examining whether that value be exactly realized or not, it is just the same thing as if they were to measure a length upon a plan without adjusting their compasses to the scale, and upon a bare supposition that the opening they had, by accident might answer to the length they were to measure.

II. The state, in every country almost, is negligent in instructing the people of the consequences of every variation in the coin; and likewise negligent in providing against the inconveniences which result from all changes in those matters. It is not to be supposed that the common people can exactly comprehend the consequences

of making a pound sometimes consist of more silver and sometimes of less. When the pieces are heavy however, they weigh them in their hand, and say *this is good money*; but when they find that they must give as much in tale of this good money to pay their debts, as if it had been light, they *feel* a regret, but they do not *see* the injustice of such a regulation.

Farther, when people find that upon a reformation of the coin they are still obliged to acquit their obligations with the same denominations as before, is it not very natural for sellers to insist upon having the former prices for all sorts of commodities. This is the reason why the universal experience of France (which nation has been more accustomed to variations in their coin, than England) proves that merchandize does not immediately rise and fall according to the variations of the coin. But the operations of foreign trade, which are immediately felt and profited of by the trading part of the nation, insensibly affect the dealings of the body of the people, and produce, after a certain time, those effects, which ought to have followed immediately upon the innovation.

Now it is very certain that the principles we have been laying down will not, in practice, answer, unless the state should lend a hand, both by instructing their subjects in the nature of the change intended, and by interposing their authority to see justice done among them.

Those who oppose the doctrine we have been laying down, go upon the supposition that the law ought to order all obligations to be acquitted according to their denomination after the reformation of the standard. I go upon the supposition that it is just they should be acquitted according to the intrinsic value. Where then lies the difference between our sentiments? We are of the same opinion, as to the main question: for were it true that prices were not to sink *5 per cent.* after the reformation, I should be the last man to propose, that debtors ought to be allowed conversions in paying with the new standard; and I suppose that those who support the contrary

Principles will not operate their effect without the assistance of the state.

When people understand one another, they soon agree.

trary sentiment would be just as little inclined to oppose a conversion; upon the supposition that ninety five pounds, after the supposed reformation, were to be equivalent, to all intents and purposes, to a hundred at present.

III. The clearest and the best reasoners I have met with upon this subject, are apt upon some occasions to confound the two species of circulation which we have endeavoured carefully to distinguish; to wit, the involuntary which takes place in acquitting *contracts already made*, with the voluntary which takes place in common sales. As an example of this, and as a means of reconciling opinions, and not with any intention of entering upon refutations, I shall here extract a passage from Mr. Harris upon coins, Part II. p. 96. and insert in Italics what I think will explain the difference between our sentiments.

“ You affirm (says he) that if the rate of a guinea be reduced one shilling, there would be a loss of the one and twentieth part upon all the guineas in the nation;” (*yes, as often as debtors might be obliged to give them to their creditors for pounds sterling*) “ but that there would be no loss at all upon guineas, if they were ordered to pass for twenty one shillings, having in them no more silver than there is at present in twenty standard shillings.” (*no, certainly; because the debtor would pay his debt with the same number of guineas which he had borrowed.*) “ Strange, very strange indeed, that there should be such magic in the word shilling, and the number twenty one, as to make the same thing, only calling it by different names, have such different effects! It is scarce necessary to take any farther notice of such a mere jingle of words; but out of tenderness to these young logicians, but more out of regard to those who may be deceived by them, if any such there can be, I shall endeavour to shew, that our scheme is more favourable to them than their own.

“ It is self-evident that the nation would not lose one farthing upon all the gold it exported, by a reduction of the mint price of gold:”

“gold: for this reduction would not in the least debase the intrinsic quality of the gold, and every guinea that went into foreign parts, would fetch there as much afterwards, as it doth at present.”

What I have put in Italics clears up the opinion which the author endeavours to refute. He seems much surprized to find magic concealed under the word *shilling*, and *twenty one*, whereas there are no words more magical in all the jargon of astrology than in these, and in every term relating to the denominations of money of account. Is it not very magical, that the same quantity of silver at present found in twenty one light shillings, being coined into twenty standard shillings, should only acquit a pound sterling of debt, and that were it coined again into twenty one shillings, it would acquit one pound one shilling of debt? Nay more, were it coined into a hundred shillings, it would acquit a debt of five pounds.

The doctrine, therefore, which the author endeavours to combat in this place, is not so ridiculous as it appeared to him; but he has not, in this place, attended to the difference between paying what one owes, and buying merchandize in the course of foreign trade. Let me illustrate this by an example.

I come to my creditor with a guinea, and I say, I owe you twenty one shillings; there you have them. No, says my creditor, that piece is but twenty, by the new regulation; I must have one shilling more. There is no reasoning here, the denomination of the coin must decide between us, not the weight, not the intrinsic value of what I had borrowed. But I go to a shop to buy a hat, the hatter asks twenty shillings; I offer him a guinea and demand a shilling to be returned; says the hatter, That guinea is worth but twenty shillings: Very well, say I, if my piece of gold is worth no more than 20 shillings, your hat was, yesterday, worth a shilling less than it; and, consequently, to day is worth no more than 19 shillings.

In:

In the last example, magic has no effect, and to such cases Mr. Harris has only attended in the passage cited; but in the first, the magical word of a statute, is capable to undo one half of the nation; although their ruin does not imply the exportation of a shilling out of the kingdom, or any benefit to foreigners, unless they be creditors to Great Britain.

IV. The sentiments which the people of England generally form upon this subject, are directed by those of the higher classes. These are all of the class of creditors, and very naturally retain sentiments analogous to their own interest. I am far from insinuating any thing here to the prejudice of this class; all I mean is, that upon an obscure point, people lean naturally to that side which favours themselves, especially when the nation's interest, and the interest of justice, do not evidently declare against it.

I call the higher classes of a people creditors; because they live upon a fortune already made, and draw their income from permanent contracts: and those are the debtors, who are bound on the opposite side of such contracts. Besides these two interests, there is another which can never be at the mercy of any arbitrary regulation as to money: those, to wit, who live upon their industry, and who enter into no contract but that of sale: they regulate their prices according to the intrinsic value of the coin at the time; whereas the others who are engaged in permanent contracts, must regulate their's according to the words of their contract, and the interpretation which the law puts upon those words. Every man, therefore, whose fortune is already made, either in land, money, or salary, has an interest in seeing the standard raised, and those who are bound in permanent contracts with them, are those only who can be hurt by it.

Farther, the higher classes in Great Britain have always the penning of the law. Is it then surprizing, to find the interest of creditors constantly attended to, in new regulations of the standard? When Princes arbitrarily debase the standard, they debase it because

cause at such a time they are virtually in the class of debtors: their expence then exceeds their income. On the contrary, when wars come to cease, and when their expences are reduced within the compass of their revenue, they raise the standard: because they become then of the class of creditors.

This principle is a key to all the mystery of the raising and sinking of the numerary value of the French coin in former times, before public credit was established among them.

Now let us apply this reasoning to the present case.

Since in all changes upon the coin we find (of late) the interest of creditors constantly attended to in Great Britain, is it not very natural for people to reason upon the supposition that there is no injustice in raising the standard; and is it not natural to suppose that government will act upon the same principles in their future regulations of the standard, as upon the last occasion in 1695? Every one, therefore, whose fortune is made, finds it his interest to have the standard brought back to what it was formerly; and he does not perceive the injury such a regulation would do to his debtors. On the other hand, the merchants see plainly that if this standard should be restored upon an imaginary principle of justice, the prices of commodities will not fall as they ought to do, and as foreign trade requires they should; they are therefore against raising the standard, because it will be a prejudice to trade, a clog upon exportation, and therefore a loss to themselves.

This, I think, very naturally accounts for the difference of opinion among the people of England, upon a matter of very general concern, and nothing is so easy as to reconcile all those interests by doing justice to every one, and injustice to none.

As an illustration of this subject, I shall cite a recent example of a change made in the circulation of Dutch ducats, executed by that wise nation, seemingly in direct opposition to the principles here laid down, and exactly consistent with those we are endeavouring to explode.

Application of principles to the change lately made by the Dutch with respect to their coin.

The

The States General lately called down all the light ducats, and ordered them to go by weight, as bullion, without making any allowance to such as might suffer by it.

This regulation, and a new coinage of ducats, had the immediate effect of raising the value of that species of current money; consequently, it may be said, that debtors by that regulation have been proportionally hurt, by an act of one of the wisest governments in Europe, if our principles are admitted to be just. But before this conclusion can be drawn, circumstances must be examined.

Ducats in Holland are the *price*, not the *measure* of value, having no fixed legal denomination. The current silver coin is what the state, and all the mercantile interest attend to: and in proportion as this current silver coin or bank species is become light, the agio upon that currency has risen. The agio then, in combination with every currency, furnishes an invariable measure for value, as well as the bank money of Amsterdam; and to that every one attends who regards his interest.

The state, therefore, by this arbitrary measure, or sudden revolution on the ducats, did not hurt any debtor; because debtors never were obliged to give ducats in payment.

Will any one say that the Dutch silver currency, now that the agio is high, is of equal value in inland dealings as formerly when it was low: and must not the same argument hold with respect to the currency of Great Britain, although no such thing as agio be there known? Or will it be said, that because the Dutch, who have an invariable measure of value independent of their coin, make an arbitrary operation upon their currency, which is only price; that therefore the English, who have no invariable measure of value independent of their coin, may make a similar operation upon theirs?

Thus it is that circumstances influence our decisions upon all political matters; and principles well deduced do not cease to be true, although they appear contradictory to experience, in cases where

All decisions in political questions depend upon circumstances.

where every circumstance is, not exactly, known. For this reason, I shall be very far from deciding as to the part proper to be taken by the British government; I go no farther than to point out plain principles; it is the business of statesmen to apply them according to circumstances.

### CHAP. XIII.

*In what Sense the Standard may be said to have been debased by Law, and in what Sense it may be said to have suffered a gradual Debasement by the Operation of political Causes.*

These propositions appear contradictory.

**I**N the course of this inquiry, the standard has been represented sometimes as having been debased by law, above thirty years ago, to 113 grains fine gold, at which it remains at present, and sometimes as having gradually declined for these many years.

These propositions are true, though they appear inconsistent, or at least inaccurate; and they must now be set in a clear light.

I have had no opportunity of tracing the progress of the variations as to the price of the metals in the English market from the beginning of this century; and to supply the want of exact observation, I have gone upon the following suppositions: 1. That while the guineas were left to find their own value (being regulated by the law below their worth, and not being considered as a lawful money) they naturally would fix themselves according to the market proportion of the metals. 2. That, at the time the standard was affixed to the guineas in conjunction with the silver, and both were made lawful money, the value of the guineas was exactly inquired into and regulated at their precise value.

From

From these circumstances I conclude, that after this affixing the standard to both species, the least variation in the proportion of the metals must have had the effect of *throwing the standard* (as I may call it) upon that metal which was the least valuable in the coin: and since it is certain, that for thirty years backward; at least, gold coin of equal denomination has been less valuable than silver, payments have been made, commonly, in gold, under the sanction of law, while the silver has been melted down or exported; for these reasons, I have frequently represented the standard as long ago debased by law to the value of 113 grains fine gold; and I believe I have advanced nothing but the truth.

Here we may conclude, that it is impossible for any law to keep the standard attached both to the gold and the silver coin at once, without preserving constantly the market proportion of the metals at par, with the numery value of the coins. The rise of silver for one week in the London market is a cause of the silver being melted; and during that week, all payments will be made in gold. If the week following, gold should rise above the proportion fixed in the coin, gold coin would be melted, and payments would be made in silver.

I do not, at present, consider the small circulation either among the nobility, or among the commons; but I attend to the great circulation among bankers, who have all the specie in the nation in their hands once in a year; and I say, that the payments they make must influence those of all others. Every gentleman pays with the money his banker gives him: did the bank of England find its interest in paying in silver, would it not soon become plentiful in circulation, and would not payments begin to be made in it preferably to gold?

The standard, therefore, has been debased by law by being affixed to the gold, of which metal the pound sterling has uniformly, for these thirty years past, been worth 113 grains, in new guineas.

But



But I have also said, that the standard has been gradually diminishing; consequently it might be objected, that if a pound sterling was, thirty years ago, equal to 113 grains of gold, if it has been ever since at that standard, and if it be to-day 113 grains of gold, it cannot be said to have been gradually diminishing. The answer is evident, when we reflect upon our principles.

The standard gradually debased, by the rising of the silver.

The standard affixed to the gold has been diminishing, because these 113 grains of gold have been diminishing in their value with regard to the silver. When the guinea, in 1728, was fixed at 21 shillings, the pound sterling was fixed thereby at 113 grains fine gold, as has been said; consequently, if that weight of gold was then worth 1718.7 fine silver, there was no debasement made by that statute: but in consequence of that statute, the debasement must take place the moment the silver rose in its value.

I am not authorized, by any fact, to advance, that at the time the guineas were brought down from 21 shillings 6 pence to 21 shillings, the metals in the coin were not put at the exact proportion they then bore in the English market. The great Sir Isaac Newton was the person consulted in that matter, and to criticize his decision without plain evidence, would be rash. All I shall say is, that in France the proportion then was 1 to 14  $\frac{1}{2}$ , although according to the English statute it was regulated as 1 to 15.21.

The proportion of the metals, in 1728, supposed to have been as 15.21 is to 1.

By what proportion the silver standard has been debased.

Let us therefore suppose, that in 1728, the metals were at the proportion of 1 to 15.21; and that 113 grains of fine gold were really worth 1718.7 grains of fine silver.

But the silver having risen, the standard, for this reason, has been thrown upon the gold, and has constantly remained at 113 grains (that is, in new guineas;) and as the metals have varied from the proportion of 1 to 15.21, to that of 1 to 14.5, by the same steps has the value of the pound sterling, in silver, changed from 1718.7, to 1638.5; which 1638.5 is to 113 as 14.5 is to 1: and were the proportion between gold and silver to come by slow degrees to the Chinese proportion of 1 to 10, the pound sterling would still remain

remain at 113 grains of fine gold, as it has been since the year 1728; but the silver coin would either be melted down, or so rubbed away, as to make a pound sterling of it weigh no more than 1130 grains of fine silver, so as to bring it to the proportion of 10 to 1, together with the metals.

Does not this evidently shew the defect of fixing the standard either to one or to both the species?

As a farther illustration of this matter, which, because of its importance, cannot, I think, be too often repeated, I shall shew, in a very few words, how far people are mistaken, when they imagine that by reducing the guineas to 20 shillings, and re-coining the silver according to the plan proposed, the standard of the pound sterling will be brought to that of Elizabeth.

When Elizabeth fixed the standard of the pound sterling at 1718.7 grains of fine silver, the proportion of the metals, according to the table in the essay of money and coins above cited, was as 10.905 to 1; consequently that pound paid in gold was, in 1601, equal to 157.6 grains fine gold.

The standard of Elizabeth for the pound sterling, was 1718.7 grains silver, and 157.6 grains gold, both fine.

Had, therefore, by accident, the standard been then fixed to the gold, in place of the silver, and had the silver ever since been considered as a commodity, the pound sterling at present would be worth 157.6 grains of fine gold, and consequently worth 2285.3 grains fine silver, at the proportion of 14.5 to 1; whereas, having been fixed to the silver, it has been kept at the old standard of 1718.7, and consequently is worth no more than 118.5 grains of fine gold.

The gold standard of her pound worth, at present, 2285.3 grains fine silver.

Now supposing that in the year 1601, three different payments of a pound sterling had been made, and locked up in a chest till this day, let us inquire what would be the value of each at present, were they to be melted down, and sold as bullion in the English market. The first payment I shall suppose to have been made in silver, to the value of 1718.7 grains fine silver, which make of standard silver 1858.06 grains; this sold at the rate of

The variation of the metals has produced three different standards of Elizabeth.

65 pence an ounce, the present supposed value of silver, at the rate of the gold, when full weight, makes £ 1 0 11  $\frac{1}{2}$ . The second payment I shall suppose to have been made in gold, to the value of 157.6 grains fine gold, which makes of standard gold 171.9 grains, this at the mint price of gold, that is, £ 3 17 10  $\frac{1}{2}$  the ounce, makes of present sterling, £ 1 7 10  $\frac{1}{2}$ .

The third payment I suppose to have been made, one half in gold, one half in silver, which makes 859.36 grains fine silver, and 78.8 grains of fine gold, which, at the above conversions, makes for the silver £ 0 10 5  $\frac{1}{16}$  And for the gold £ 0 13 11  $\frac{1}{4}$ .

Together £ 1 4 5  $\frac{1}{4}$

Here we have three different pounds sterling, produced purely by the variation in the proportion of the metals, although in 1601, they must have been absolutely the same. Which of the three, therefore, is the standard of Elizabeth? Is it not evident, that it can be no other than according to the value of that pound which was paid, half in gold, and half in silver? And is it not also plain, that this is the exact arithmetical mean proportional between the gold and the silver? Let the silver and the gold pounds be added together, they make £ 2 8 10  $\frac{1}{4}$ ; the half of which is the value of that pound which was paid half in gold, and half in silver, to wit, £ 1 4 5  $\frac{1}{4}$  of the present gold currency, reckoning standard silver at 65 pence per ounce, and gold at the mint price. To realize this value exactly in gold and silver, while the proportion remains as 1 to 14.5, it would be proper to put into the pound sterling 2001.9 grains troy fine silver, and 138.04 grains of fine gold. These quantities of the metals would answer exactly to the value of £ 1 4 10  $\frac{1}{2}$ , the mean proportional above mentioned.

Here then is the standard of Elizabeth; if it has any excellence in it above all others, it might be preferred.

One worth  
£ 1 0 11  $\frac{1}{2}$   
present cur-  
rency.

Another  
worth  
£ 1 7 10  $\frac{1}{2}$

And a third  
worth  
£ 1 4 5  $\frac{1}{4}$

The last is  
the true  
standard of  
Elizabeth  
for the  
pound ster-  
ling, and  
worth at  
present 2002  
grains fine  
silver, and  
138 ditto  
gold.

It must however be observed, that it will remain the standard only whilst the proportion of 1 to 14.5, upon which it has been established, shall remain unvaried between the metals; and it will vary from where it might be at present settled, in the same manner as it has varied at all times from the year 1601, to wit, according to the vicissitudes which shall happen in the proportion of the metals. But at every period of time, and in all different varieties of proportion between gold and silver, no problem is more easily resolved than that of the mean proportional between the gold and silver, the moment one knows the proportion of the metals at the time; as shall be demonstrated in a following chapter.

During the whole seventeenth century, gold rose in its value; Gold rose or to express this as the French writers do, the *proportion of the metals was increasing*, from that of 1 to 10.905, to that of 1 to 15; and in Spain it got up to that of 1 to 16. The standard, therefore, being fixed by Elizabeth to the silver, was then attached to that metal which was the least sought for; and who knows whether the mercantile interest at that time, and in the succeeding reigns, did not find it their interest to keep it attached to the silver; for the same reason they now wish it attached to the gold?

Since the beginning of this century the metals have taken a different turn, and now the *proportion is diminishing*; that is to say, the value of silver is rising; the consequence of which is, that the mercantile interest would gladly have the standard fixed to the gold; because in this case, (the proportion of the metals being upon the diminishing hand) the standard of the pound will gradually diminish, and trading men will thereby gain, according to the principles above laid down.

From what has been said, the reader may reconcile me with myself, when I sometimes have spoken of the standard of the pound sterling, as having been debased by law thirty years ago, to 113 grains of gold; and when, upon other occasions, I have represented it as having descended by degrees to where it is at present.

K k k k 2

Had

Had I involved my reasoning in all the distinctions which I have now explained, I should have lost my way, and perplexed my subject, instead of throwing light upon it. I shall hereafter examine how these circumstances may be attended to in a new regulation of the mint.

Providing the subject be well understood, men of capacity will be found to execute this great operation according to justice, in spite of the most perplexing combinations.

Let me here recapitulate a few positions, which we may now have occasion to apply.

Some positions recapitulated.

I. The standard is debased by being fixed by statute to 113 grains of fine gold, not by the act of fixing it, but by the rising of the silver since that time, which the statute could not prevent: and gold being now the metal the least sought for, is become the standard of the pound sterling, and regulates its value so, that no silver coin, which is above the proportion of the gold, can remain in currency.

II. That according as the proportion of the metals shall diminish from what it is at present, the standard will still fall lower with respect to silver, but will remain fixed with respect to gold, at 113 grains.

III. That the true value of the pound sterling will always be found in the mean proportion between 113 grains fine gold, and 1638.5 grains fine silver.

IV. That if light guineas are allowed to pass current, the standard will fall below the 113 grains, and the price of gold bullion will rise above £ 3 17 10 $\frac{1}{2}$  in the English market.

V. That upon calling in the light guineas afterwards, a hurt will be done to all those who have contracted during their currency.

CHAP.

CHAP. XIV.

*Circumstances to be attended to in a new Regulation of the British Coin.*

I THINK I have sufficiently laid open all the principles which can influence a new regulation of the British standard, as far as a change may influence either the value of the money-unit, or the interests within the state.

As to the first, it has been said above, that if, by the future regulation, any change whatsoever shall be made upon the value of the money-unit, as it stands at present, the adopting any other whatsoever is a thing purely arbitrary.

To people who do not understand the nature of such operations, it may have an air of justice to support the unit at what is commonly believed to be the standard of Queen Elizabeth, to wit, at 1718.5 grains of fine silver. The adopting the standard of Elizabeth has an air of justice.

The regulating the standard of both silver and gold to  $\frac{1}{12}$  fine, Advantages of that of Mary I. and the pound sterling to four ounces standard silver, as it stood during the reign of Queen Mary I. has also its advantages, as Mr. Harris has observed. It makes the crown piece to weigh just one ounce, the shilling four penny weight, and the penny eight grains; consequently, were the new statute to bear, that the weight of the coin should regulate its currency upon certain occasions, the having the pieces adjusted to certain aliquot parts of weight, would make weighing easy, and would accustom the common people to judge of the value of money by its weight, and not by the stamp.

In that case, there might be a conveniency in striking the gold coins of the same weight with the silver; because the proportion of

of their values would then constantly be the same with the proportion of the metals. The gold crowns would be worth at present, 3*l.* 12*s.* 6*d.* the half crowns 1*l.* 16*s.* 3*d.* the gold shillings 14*s.* and 6*d.* and the half 7*s.* and 3*d.* This was antiently the practice in the Spanish mints.

I have, in one place, mentioned the *pound troy* as the best weight of all for the pound sterling; and so it would be, were the pound sterling, by its nature, susceptible of being fixed to any determinate quantity of the metals. But what I there suggested was only thrown out to shew, that the choice of any other value than the present is a matter of no consequence, when all interests within doors are properly taken care of, and when confusion and perplexity are avoided in making the alteration.

Conversions  
necessary in  
every case.

The interests within the state can, I think, be nowise perfectly protected but by permitting conversions of value from the old to the new standard, whatever it be, and by regulating the footing of such conversions by act of parliament, according to circumstances. The intention of this chapter is to point out some circumstances to which it would be proper to attend; and to propose a scheme of establishing a new standard, which might perhaps render conversions and regulations less necessary.

Schemes are here proposed, not to be adopted, but as a means of setting this important matter in different lights, and thereby, perhaps, of furnishing hints to some superior genius, who may form a plan liable to fewer inconveniences than any I can devise.

Every in-  
terest within  
the state to  
be examin-  
ed.

For this purpose, I shall examine those interests which will chiefly merit the attention of government, when they form a regulation for the future acquitting of permanent contracts already entered into. Such as may be contracted afterwards will naturally follow the new standard.

Landed in-  
terest exa-  
mined.

The landed interest is, no doubt, the most considerable in the nation. Let us therefore examine, in the first place, what regulations it may be proper to make, in order to do justice to this great class,

class, with respect to the land-tax on one hand, and with respect to their lessees on the other.

The valuation of the lands of England was made many years ago, and reasonably ought to be supported at the real value of the pound sterling at that time, according to the principles already laid down. The general valuation, therefore, of the whole kingdom will rise according to this scheme. This will be considered as an injustice; and no doubt it would be so, if, for the future, the land tax be imposed as heretofore, without attending to this circumstance; but as that imposition is annual, as it is laid on by the landed interest itself, who compose the parliament, it is to be supposed that this great class will, at least, take care of their own interest.

Were the valuation of the lands to be stated according to the valuation of the pound sterling of 1718.7 grains of silver, which is commonly supposed to be the standard of Elizabeth, there would be no great injury done: this would raise the valuation only 5 *per cent.* and the land tax in proportion.

There is no class of inhabitants in all England so much at their ease, and so free from taxes, as the class of farmers. By living in the country, and by consuming the fruits of the earth without their suffering any alienation, they avoid the effect of many excises, which, by those who live in corporations, are felt upon many articles of their consumption, as well as on those which are immediately loaded with these impositions. For this reason it will not, perhaps, appear unreasonable, if the additional 5 *per cent.* on the land tax were thrown upon this class, and not upon the land-lords.

With respect to leases, it may be observed, that we have gone upon the supposition that the pound sterling, in the year 1728, was worth 1718.7 grains of fine silver, and 113 grains of fine gold.

There would, I think, be no injustice done the lessees of all the lands in the kingdom, were their rents to be fixed at the mean proportion.

portion of these values. We have observed how the pound sterling has been gradually diminishing in its worth from that time, by the gradual rise of the silver. This mean proportion, therefore, will nearly answer to what the value of the pound sterling was seventeen years ago; that is to say, in 1743; supposing the rise of the silver to have been uniform: and seventeen years, I apprehend, is not much above the mean proportion of the time elapsed of all the leases entered into with the landed interest of England.

It may be farther alleged in favour of the landlords, that the gradual debasement of the standard has been more prejudicial to their interest in letting their lands, than to the farmers in disposing of the fruits of them. Proprietors cannot so easily raise their rents upon new leases, as farmers can raise the prices of their grain, according to the debasement of the value of the currency. We have shewn how the operations of trade communicate their influence to country markets; but as the cause of the rise of prices is not rightly understood by country people, and as it is commonly ascribed rather to accident than to any thing permanent, it is easy to perceive how such a circumstance must be prejudicial to the landed interest. These combinations are too complicated to fall under any calculation, and nothing but the wisdom and penetration of the legislature is capable of estimating them at their just value.

The pound sterling, thus regulated at the mean proportion of its worth, as it stands at present, and as it stood in 1728, may be realized in 1678.6 grains of fine silver, and 145.76 grains fine gold; which is 2.4 *per cent.* above the value of the present currency. No injury, therefore, would be done to lessees, and no unreasonable gain would accrue to the landed interest, in appointing conversions of all land rents at 2½ *per cent.* above the value of the present currency.

Without a thorough knowledge of every circumstance relating to Great Britain, it is impossible to lay down any plan. It is sufficient

cient, here, briefly to point out the principles upon which it must be regulated.

The next interest to be considered is that of the nation's creditors. The right regulation of their concerns will have a considerable influence in establishing public credit upon a solid basis, by making it appear to all the world, that no political operation upon the money of Great Britain can in any respect either benefit or prejudice the interest of those who lend their money upon the faith of the nation. The regulating also the interest of so great a body, will serve as a rule for all creditors who are in the same circumstances, and will, upon other accounts, be productive of greater advantages to the nation in time coming, as we shall presently make appear.

In 1749, a new regulation was made with the public creditors, when the interest of the whole redeemable national debt was reduced to 3 *per cent.* This circumstance infinitely facilitates the matter, with respect to this class, since, by this innovation of all former contracts, the whole national debt may be considered as contracted at, or posterior to the 25th of December 1749.

Were the state by any arbitrary operation upon money (which every reformation must be) to diminish the value of the pound sterling, in which the parliament at that time, bound the nation to acquit those capitals and the interest upon them, would not all Europe say, that the British parliament had defrauded their creditors. If therefore the operation proposed to be performed should have a contrary tendency, to wit, to augment the value of the pound sterling, with which the parliament at that time bound the nation to acquit those capitals and interests, must not all Europe also agree, that the British parliament had defrauded the nation?

This convention with the antient creditors of the state, who, in consequence of the debasement of the standard, might have justly claimed an indemnification for the loss upon their capitals, lent at a time when the pound sterling was at the value of the heavy silver,

removes all cause of complaint from that quarter. There was in the year 1749, an innovation in all their contracts, and they are now to be considered as creditors only from the 25th of December of that year.

I shall now give a sketch of a regulation which may be made, not only for the national creditors at present, but in all times to come, which, by setting money upon a solid footing, may be an advantage both to the nation, to the creditors, and to credit in general.

Let the value of the pound sterling be inquired into during one year preceding and one posterior to the transaction of the month of December 1749. The great sums borrowed and paid back by the nation, during that period, will furnish data sufficient for that calculation. Let this value of the pound be specified in troy grains of fine silver and fine gold bullion, without mentioning any denomination of money according to the exact proportion of the metals at that time. And let this pound be called the *pound of national credit*.

This first operation being determined, let it be enacted, that the pound sterling, by which the state is to borrow for the future, and that in which the creditors are to be paid, shall be the exact mean proportion between the quantities of gold and silver above specified, according to the actual proportion of the metals at the time such payments shall be made; or that the sums shall be borrowed or acquitted, one half in gold and one half in silver, at the respective requisitions of the creditors or of the state, when borrowing. All debts contracted posterior to 1749, may be made liable to conversions.

The consequence of this regulation will be the insensible establishment of a bank-money, the usefulness of which has been explained. Nothing would be more difficult to establish by a positive revolution than such an invariable measure, and nothing will be found so easy as to let it establish itself by its own advantages. This bank-money will be liable to much fewer inconveniences than that

that of Amsterdam. There the persons transacting must be upon the spot, here, the sterling currency may, every quarter of a year, be adjusted by the exchequer to this invariable standard, for the benefit of all debtors and creditors, who incline to profit of the stability of this measure of value.

This scheme is liable to no inconvenience from the variation of the metals, let them be ever so frequent, or hard to be determined; because upon every occasion where there is the smallest doubt as to the actual proportion, the option competent to creditors to be paid half in silver and half in gold will remove.

Such a regulation will also have this good effect, that it will give the nation more just ideas of the nature of money, and consequently of the influence it ought to have upon prices.

If the value of the pound sterling shall be found to have been by accident less in December 1749, than it is at present; or if at present (upon the account of the war, and the exportation of the more weighty coin) the currency be found below what has commonly been since 1749, in justice to the creditors, and to prevent all complaints, the nation may grant them the mean proportion of the value of the pound sterling from 1749 to 1760; or any other which may to parliament appear reasonable.

This regulation must appear equitable in the eyes of all Europe, and the strongest proof of it will be, that it will not produce the smallest effect prejudicial to the interest of the foreign creditors. The course of exchange with regard to them will stand precisely as before.

A Dutch, French, or German creditor, will receive the same value for his interest in the English stocks as heretofore. This must silence all clamours at home, being the most convincing proof, that the new regulation of the coin will have made no alteration upon the real value of any man's property, let him be debtor or creditor.

The interest of every other denomination of creditors, whose contracts are of a fresh date, may be regulated upon the same principles.

principles. But where debts are of an old standing, justice demands, that attention be had to the value of money at the time of contracting. Nothing but the stability of the English coin, when compared with that of other nations, can make such a proposal appear extraordinary. Nothing is better known in France than this stipulation added to obligations, *argent au cours de ce jour*, that is to say, that the sum shall be repaid in coin of the same intrinsic value with what has been lent. Why should such a clause be thought reasonable for guarding people against arbitrary operations upon the numerical value of the coin, and not be found just upon every occasion where the numerical value of it is found to be changed, let the cause be what it will.

Interest of  
trade exam-  
ined.

The next interest we shall examine is that of trade, when men have attained the age of twenty one, they have no more occasion for guardians. This may be applied to traders: they can parry with their pen, every inconvenience which may result to other people from the changes upon money, provided only the laws permit them to do themselves justice with respect to their engagements. This class demands no more than a right to convert all reciprocal obligations, into denominations of coin of the same intrinsic value with those they have contracted in.

The next interest is that of buyers and sellers; that is, of manufacturers, with regard to consumers, and of servants, with respect to those who hire their personal service.

Interest of  
buyers and  
sellers exam-  
ined.

The interest of this class requires a most particular attention. They must, literally speaking, be put to school, and taught the first principles of their trade, which is buying and selling. They must learn to judge of price by the grains of silver and gold they receive. They are children of a mercantile mother, however warlike the father's disposition may be. If it be the interest of the state that their bodies be rendered robust and active, it is no less the interest of the state, that their minds be instructed in the first principle of the trade they exercise.

For

For this purpose, tables of conversion from the old standard to the new must be made, and ordered to be put up in every market, in every shop. All duties, all excises, must be converted in the same manner. Uniformity must be made to appear every where. The smallest deviation from this will be a stumbling block to the multitude.

Not only the interest of the individuals of the class we are at present considering, demands the nation's care and attention in this particular; but the prosperity of trade and the well being of the nation, are also deeply interested in the execution.

The whole delicacy of the intricate combinations of commerce, depends upon a just and equable vibration of prices, according as circumstances demand it. The more therefore the industrious classes are instructed in the principles which influence prices, the more easily will the machine move. A workman then learns to sink his price without regret, and can raise it without avidity. When principles are not understood, prices cannot gently fall, they must be pulled down; and merchants dare not suffer them to rise, for fear of abuse, even although the perfection of an infant manufacture should require it.

The last interest I shall examine is that of the bank of England, which naturally must regulate that of every other.

Interest of  
the bank  
examined.

Had this great company followed the example of other banks, and established a bank-money of an invariable standard, as the measure of all their debts and credits, they would not have been liable to any inconvenience upon a variation of the standard.

I am not sufficiently versed in English affairs to be able to sift out every reason which that company may have had to neglect a thing, which other companies have found of such importance.

An attention to the circumstances of the time of its institution, and to others relative to the principles of English government with regard to money, may help us to guess at what other people, who have access to be informed, may discover with certainty.

The

The bank of England was projected about the year 1694, at a time when the current money of the nation was in the greatest disorder, and government in the greatest distress, both for money and for credit. Commerce was then at a very low ebb, and the only, or at least the most profitable trade of any, was jobbing in coin, and carrying backwards and forwards the precious metals from Holland to England. Merchants profited also greatly from the effects which the utter disorder of the coin produced upon the price of merchandize.

At such a juncture the resolution was taken to make a new coinage, and upon the prospect of this, a company was found, who, for an exclusive charter to hold a bank for 13 years, willingly lent the government upwards of a million sterling at 8 *per cent.* (in light money I suppose) with a prospect of being repaid both interest and capital in heavy. This was not all: part of the money lent, was to be applied for the establishment of the bank, and no less than 4000 pounds a year was allowed to the company, above the full interest, for defraying the charge of management.

Under such circumstances the introduction of bank-money was very superfluous, and would have been very impolitic. That invention is calculated against the raising of the standard; but here the bank profited of that rise in its quality of creditor for the money lent, and took care not to commence debtor by circulating their paper, until the effect of the new regulation took place in 1695. That is after the general recoinage of all the clipped silver.

From that time till now, the bank of England has been the basis of the nation's credit; and with great reason, has been constantly under the most intimate protection of every minister.

The value of the pound sterling, as we have seen, has been declining ever since the year 1601, the standard being fixed to silver during all that century, while the gold was constantly rising. No sooner had the proportion taken another turn, and silver begun to rise, than the government of England threw the standard, virtually, upon

upon the gold, by regulating the value of the guineas at the exact proportion of the market, whether at the instigation of the bank, or not, I shall not pretend to determine. By these operations, however, the company has constantly been a gainer (in its quality of debtor) upon all the paper in circulation; and therefore has lost nothing by not having established a bank-money.

The interest of this great company being established upon the principles we have endeavoured to explain, it is very evident that the government of England never will take any step in the reformation of the coin, which in its consequences can prove hurtful to the bank. Such a step would be contrary both to justice and to common sense. To make a regulation which, by raising the standard, will prove beneficial to the public creditors, to the prejudice of the bank (which I may call the public debtor) would be an operation upon public credit, like that of a person who is at great pains to support his house by props upon all sides, and who at the same time blows up the foundation of it with gun-powder.

We may therefore conclude, that with regard to the bank of England, as well as every other private banker, the notes which are constantly payable upon demand, must be made liable to a conversion at the actual value of the pound sterling at the time of the new regulation.

That the bank will gain by this, is very certain; but the circulation of their notes is so swift that it would be absurd to allow to the then possessors of them, that indemnification, which naturally should be shared by all those through whose hands they have passed, in proportion to the debasement of the standard during the time of their respective possession.

Having now shortly examined the several interests within the state, according to that combination of circumstances, which, with lame information, I can form to myself, I must again observe that other circumstances, to which I am a stranger, will nevertheless operate their effects. These must be carefully examined, and strictly



strictly attended to, before the proper regulation can be established.

My reasoning has proceeded entirely upon the supposition that the reformation of the standard implies a change upon the intrinsic value of the unit of money of account, and that strict justice is to be done to every one, so as to render the change neither profitable or hurtful to any, but such as have been unjustly gainers or losers by the former disorder in the coin.

Inconveniences attending all innovations.

No quality in a statesman is more amiable or more admirable, than justice and impartiality in every step which can affect the complicated interests of the people he governs. Such however is the nature of human society, that the inconveniences resulting from every innovation, do frequently more than overbalance all the advantages which are obtained from the closest attention to material and distributive justice upon such occasions. For this reason, innovations are to be avoided as much as possible, especially when by their nature they must be sudden.

Argument for preserving the standard at the present value.

Were the pound sterling preserved at its present value, it would, no doubt, be a plain adulteration of the former standard, and yet I do not know if it would be a more unpopular measure than another which might restore it, and at the same time do justice to every interest within the state; because I apprehend that the greatest hurt done to most people, with regard to their pecuniary interest, consists in the change. Every one *feels* a sudden change, but those only who reflect and who combine, *perceive* the consequences of a gradual one.

That every change must either hurt the bank or the public creditors.

Besides these considerations which are in common to all states, the government of Great Britain has one peculiar to itself. The interest of the bank, and that of the creditors, are diametrically opposite: every thing which raises the standard hurts the bank, every thing which can sink it, hurts the creditors: and upon the right management of the one and the other, depends the solidity of public credit. For these reasons I am apt to believe, that, without the

most certain prospect of conducting a restitution of the standard to the general advantage, as well as approbation of the nation, no minister will ever undertake so dangerous an operation.

I shall now propose an expedient which may remove at least some of the inconveniences which would result from so extensive an undertaking as that of regulating the respective interests in Great Britain by a positive law, upon a change in the value of their money of account. A more easy method of making a change upon the standard.

Suppose then, that before any change is made in the coin, government should enter into a transaction with the public creditors, and ascertain a permanent value for the pound sterling for the future, specified in a determined proportion of the fine metals in common bullion, without any regard to money of account, or to any coin whatever.

This preliminary step being taken, let the intended alteration of the standard be proclaimed a certain time before it is to commence. Let the nature of the change be clearly explained, and let all such as are engaged in contracts which are dissolvable at will upon the prestations stipulated, be acquitted between the parties, or innovated as they shall think proper, with certification, that posterior to a certain day, the stipulations formerly entered into, shall be binding according to the denominations of the money of account in the new standard.

As to permanent contracts, which cannot at once be fulfilled and dissolved, such as leases, the parliament may either prescribe the methods and terms of conversion; or a liberty may be given to the parties to annul the contract, upon the debtor's refusing to perform his agreement according to the new standard. Contracts, on the other hand, might remain stable, with respect to creditors who would be satisfied with payments made on the footing of the old standard. If the rise intended should not be very considerable, no great injustice can follow such a regulation.

Annuities are now thoroughly understood, and the value of them is brought to so nice a calculation, that nothing will be easier than to regulate these upon the footing of the value paid for them, or of the subject affected by them. If by the regulation land-rents are made to rise in denomination, the annuities charged upon them, ought to rise in proportion; if in intrinsic value, the annuity should remain as it was.

C. H. A. P. XV.

*Regulations which the Principles of this Inquiry point out as expedient to be made by a new Statute for regulating the British Coin.*

LET us now examine what regulations it may be proper to make by a new statute concerning the coin of Great Britain, in order to preserve always the same exact value of the pound sterling realized in gold and in silver, in spite of all the incapacities inherent in the metals to perform the functions of an invariable scale or measure of value.

I shall not pretend to determine the precise standard which government may prefer as the best to be chosen for the value of a pound sterling in all future times; but let it be what it will, the first point is to determine the exact number of grains of fine gold and fine silver which are to compose it, according to the then proportion of the metals in the London market.

1. Regulation, as to the standard.

2. As to the weight.

3. Mint price.

2. To determine the proportion of these metals with the pound troy, and in regard that the standard of gold and silver is different, let the mint price of both metals be regulated according to the pound troy fine.

3. To fix the mint price within certain limits: that is to say, to leave to the King and Council, by proclamation, to carry the mint price

price of bullion up to the value of the coin, as is the present regulation, or to sink it to *per cent.* below that price, according as government shall incline to impose a duty upon coinage.

4. To order that silver and gold coin shall be struck of such denominations as the King shall think fit to appoint; in which the proportion of the metals above determined, shall be constantly observed through every denomination of the coin, until necessity shall make a new general coinage unavoidable.

5. To have the number of grains of the fine metal in every piece marked upon the exergue, or upon the legend of the coin, in place of some initial letters of titles, which not one person in a thousand can decypher; and to make the coin of as compact a form as possible, diminishing the surface of it as much as is consistent with beauty.

6. That it shall be lawful for all contracting parties to stipulate their payments either in gold or silver coin, or to leave the option of the species to one of the parties.

7. That where no particular stipulation is made, creditors shall have power to demand payment, half in one species, half in the other; and when the sum cannot fall equally into gold and silver coins, the fractions to be paid in silver.

8. That in buying and selling, when no particular species has been stipulated, and when no act in writing has intervened, the option of the species shall be competent to the buyer.

9. That all sums paid or received by the King's receivers, or by bankers, shall be delivered by weight, if demanded.

10. That all money which shall be found under the legal weight, from whatever cause it may proceed, may be rejected in every payment whatsoever; or if offered in payment of a debt above a certain sum, may be taken according to its weight, at the then mint price, in the option of the creditor.

11. That no penalty shall be incurred by those who melt down or export the nation's coin; but that washing, clipping, or diminishing

M m m m 2

4. Denominations.

5. Marking the weight on the coin.

6. Liberty to stipulate payment in gold or silver.

7. Creditors may demand payment half in gold and half in silver.

8. Regulations as to sale.

9. Ditto, as to payments to and from banks, &c.

10. All coin to be of full weight when paid away.

11. Liberty to melt and export coin, but death to clip or waste.

nishing the weight of any part of it shall be deemed felony, as much as any other theft, if the person so degrading the coin shall afterwards make it circulate for lawful money.

To prevent the inconveniences proceeding from the variation in the proportion between the metals, it may be provided,

12. Rule for changing the mint price of the metals.

12. That upon every variation of proportion in the market price of the metals, the price of both shall be changed, according to the following rule.

Let the price of the pound troy fine gold in the coin be called G.

Let the price of ditto in the silver be called S.

Let the new proportion between the market price of the metals be called P.

Then state this formula:

$\frac{G}{2P} + \frac{S}{2} =$  to a pound troy fine silver, in sterling currency.

$\frac{S}{2} \times P + \frac{G}{2} =$  to a pound troy fine gold, in sterling currency.

This will be a rule for the mint, to keep the price of the metals constantly at par with the price of the market; and coinage may be imposed as has been described, by fixing the mint price of them at a certain rate below the value of the fine metals in the coin.

13. When to change the mint price.

13. As long as the variation of the market price of the metals shall not carry the price of the rising metal so high as the advanced price of the coin above the bullion, no alteration need be made on the denomination of either species.

14. Rule for changing the denomination of the coins.

14. So soon as the variation of the market price of the metals shall give a value to the rising species, above the difference between the coin and the bullion; then the King shall alter the denominations of all the coin, silver and gold, adding to the coins of the rising metal exactly what is taken from those of the other. An example will make this plain.

Let us suppose that the coinage has been made according to the proportion of 14.5 to 1; that 20 shillings, or 4 crown pieces, shall contain,

contain, in fine silver, 14.5 times as many grains as the guinea, or the gold pound, shall contain grains of fine gold. Let the new proportion of the metals be supposed to be 14 to 1. In that case, the 20 shillings, or the 4 crowns, will contain  $\frac{1}{5}$  more value than the guinea. Now since there is no question of making a new general coinage upon every variation, in order to adjust the proportion of the metals in the weight of the coins, that proportion must be adjusted by changing their respective denominations according to this formula.

Let the 20 shillings, or 4 crowns, in coin, be called S. Let the guinea be called G. Let the difference between the old proportion and the new, which is  $\frac{1}{5}$ , be called P. Then say,

$S - \frac{P}{2} =$  a pound sterling, and  $G + \frac{P}{2} =$  a pound sterling.

By this it appears that all the silver coin must be raised in its denomination  $\frac{1}{5}$ , and all the gold coin must be lowered in its denomination  $\frac{1}{5}$ ; yet still S + G, will be equal to two pounds sterling, as before, whether they be considered according to the old, or according to the new denominations.

But it may be observed, that the imposition of coinage rendering the value of the coin greater than the value of the bullion, that circumstance gives a certain latitude in fixing the new denominations of the coin, so as to avoid minute fractions. For providing the deviation from the exact proportion shall fall within the advanced price of the coin, no advantage can be taken by melting down one species preferably to another; since, in either case, the loss incurred by melting the coin must be greater than the profit made upon selling the bullion. The mint price of the metals, however, may be fixed exactly, that is, within the value of a farthing upon a pound of fine silver or gold. This is easily reckoned at the mint; although upon every piece in common circulation the fractions of farthings would be inconvenient.

15. That notwithstanding of the temporary variations made upon the denomination of the gold and silver coins, all contracts formally

15. How contracts are to be fulfilled, after a change

in the deno-  
minations  
has taken  
place.

formally entered into, and all stipulations in pounds, shillings, and pence, may continue to be acquitted according to the old denominations of the coins, paying one half in gold, and one half in silver; unless in the case where a particular species has been stipulated; in which case, the sums must be paid according to the new regulation made upon the denomination of that species, to the end that neither profit or loss may result to any of the parties.

16. The weight of the several coins never to be changed, except upon a general re-coinage of one denomination at least.

16. That notwithstanding the alterations on the mint price of the metals, and in the denomination of the coins, no change shall be made upon the weight of the particular pieces of the latter, except in the case of a general recoinage of one denomination at least: that is to say, the mint must not coin new guineas, crowns, &c. of a different weight from those already in currency, although by so doing the fractions might be avoided. This would occasion confusion, and the remedy would cease to be of any use upon a new change in the proportion of the metals. But it may be found convenient, for removing the small fractions in shillings and sixpences, to recoin such denominations all together, and to put them to their integer numbers, of twelve, and of six pence, without changing in any respect their proportion of value to all other denominations of the coin: this will be no great expence, when the bulk of the silver coin is put into 5 shilling pieces.

How this will preserve the same value to the pound sterling at all times, and how fractions in the denominations of coin may be avoided.

By this method of changing the denominations of the coin, there never can result any alteration in the value of the pound sterling: and although fractions of value may now and then be introduced, in order to prevent the abuses to which the coin would otherwise be exposed, by the artifice of those who melt it down, yet still the inconvenience of such fractions may be avoided in paying, according to the old denominations, in both species, by equal parts. This will also prove demonstratively that no change is thereby made in the true value of the national unit of money.

17. Small coins to be current only

17. That it be ordered that shillings and sixpences shall only be current for twenty years, and all other coins, both gold and silver,

silver, for forty years, or more. For ascertaining which term, there may be marked, upon the exergue of the coin, the last year of their currency, in place of the date of their fabrication. This term elapsed, or the date effaced, that they shall have no more currency whatsoever; and when offered in payment, may be received as bullion at the actual price of the mint, or refused, at the option of the creditor.

18. That no foreign coin shall have any legal currency, except as bullion at the mint price.

By these or the like regulations may be prevented, *1mo*, The melting or exporting of the coin in general. *2do*, The melting or exporting one species, in order to sell it as bullion, at an advanced price. *3tio*, The profit in acquitting obligations preferably in one species to another. *4to*, The degradation of the standard, by the wearing of the coin, or by a change in the proportion between the metals. *5to*, The circulation of the coin below the legal weight. *6to*, The profit that other nations reap by paying their debts more cheaply to Great Britain than Great Britain can pay hers to them.

And the great advantage of it is, that it is an uniform plan; and may serve as a perpetual regulation, compatible with all kinds of denominations of coins, variations in the proportion of the metals, and with the imposition of a duty upon coinage; or with the preserving it free; and farther, that it may in time be adopted by other nations, who will find the advantage of having their money of account preserved perpetually at the same value, with respect to the denominations of all foreign money of account established on the same principles.

END OF THE FIRST VOLUME.

The number of grains of  
in use  
3840 Troy-grains, 4676.

Table of Coins, reduced  
Paris,

English Coins.	1	A Guinea by fl.
	2	A Crown by fl.
	3	A Shilling by fl.
	4	A Silver Pound
	5	A Gold Pound
	6	A Silver Pound
	7	A Silver Pound
	8	A Gold Pound
	9	A Pound sterlin
	10	A Shilling curri
	11	A Guinea in fil
	12	A Guinea at th
	13	A Pound troy,
French Coins.	1	A Louis d'or
	2	A Crown of fl.
	3	A Crown of tl
	4	A Livre
	5	A Louis d'or,
	6	A Marc of Par
	7	A Marc of gol
	8	A Marc of silv
German Coins.	1	A Carolin lega
	2	A Ducat of th
	3	A Florin of C
	4	A Dollar of C
	5	A Dollar of E.
	6	A Florin curri
	7	A Carolin in S
Dutch Coins.	1	A Dutch Ducc
	2	A Florin in fil

# A TABLE OF COINS,

Shewing the Quantity of Fine Metal contained in them.

The number of grains of fine metal in every coin is sought for in the regulations of the mint of the country where it is coined, and is expressed in the grains in use in that mint: from that weight it is converted into those of other countries, according to the following proportions: 3840 Troy-grains, 4676.35 Paris-grains, 5192.8 Holland-aces or grains, and 4649.06 Colonia-grains, are supposed to be equal weights; and the coins in the table are converted according to those proportions.

		Gold Coins.				Silver Coins.			
		Troy.	Paris.	Colonia.	Holland.	Troy.	Paris.	Colonia.	Holland.
English Coins.	1 A Guinea by statute	118.651	144.46	143.65	160.45				
	2 A Crown by statute	-	-	-	-	429.68	523.2	520.2	581.
	3 A Shilling by statute	-	-	-	-	85.935	104.65	104.	116.2
	4 A Silver Pound sterling by statute 1728	-	-	-	-	1718.7	2093.	2080.8	2324.1
	5 A Gold Pound sterling by statute 1728	113.	137.61	136.8	152.8				
	6 A Silver Pound sterling in currency = $\frac{25}{8}$ lib. troy	-	-	-	-	1639.38	1996.4	1984.7	2216.
	7 A Silver Pound sterl. at the proportion of gold to silver as 1 to 14 $\frac{1}{2}$	113.	137.61	136.8	152.8	1638.5	1995.3	1983.7	2215.7
	8 A Gold Pound sterling at the same proportion of 1 to 14 $\frac{1}{2}$	118.4	144.18	143.34	160.11	1718.7	2093.	2080.8	2324.1
	9 A Pound sterling at the mean proportion in gold and in silver	115.769	140.98	140.16	156.55	1678.6	2041.2	2032.2	2269.9
	10 A Shilling current = $\frac{1}{20}$ of a pound troy	-	-	-	-	81.061	97.8	99.	110.82
	11 A Guinea in silver, or 21 shillings standard weight	-	-	-	-	1804.6	2107.6	2184.8	2440.3
	12 A Guinea at the proportion of 1 to 14 $\frac{1}{2}$ , worth in silver	-	-	-	-	1720.4	2095.1	2082.8	2326.4
	13 A Pound troy, or 12 ounces English weight	5760.	7019.2	6973.5	7789.2				
French Coins.	1 A Louis d'or	113.27	137.94	137.13	153.17				
	2 A Crown of six livres	-	-	-	-	409.94	499.22	496.3	554.3
	3 A Crown of three ditto	-	-	-	-	204.97	249.61	248.15	277.1
	4 A Livre	-	-	-	-	68.34	83.23	82.74	92.42
	5 A Louis d'or, or 24 livres in silver	-	-	-	-	1639.7	1996.9	1985.2	2217.4
	6 A Marc of Paris weight, fine gold or silver	3783.87	4608.	4581.1	5116.9	3783.87	4608.	4581.1	5116.9
	7 A Marc of gold coin effective weight, in fine	3398.3	4138.5	4114.3	4593.4				
	8 A Marc of silver coin effective weight, in fine	-	-	-	-	3402.3	4143.4	4119.2	4600.9
German Coins.	1 A Carolin legal weight	115.45	140.6	139.78	156.12				
	2 A Ducat of the Empire ditto	52.8	64.37	64.	71.48				
	3 A Florin of Convention	-	-	-	-	179.73	218.87	217.6	243.
	4 A Dollar of Convention	-	-	-	-	269.59	328.31	320.4	364.5
	5 A Dollar of Exchange, the Carolin = 9 flor. 42 kreutzers	17.85	21.74	21.615	24.14				
	6 A Florin current = $\frac{1}{10}$ of a Carolin	10.54	12.84	12.77	14.26				
	7 A Carolin in Silver at the proportion of 1 to 14 $\frac{1}{2}$	-	-	-	-	1674.	2038.6	2026.8	2263.8
Dutch Coins.	1 A Dutch Ducat	51.76	63.	62.67	70.	148.	180.3	179.2	200.21
	2 A Florin in silver	-	-	-	-				

[ The Binder is desired to place this TABLE at the End of Vol. I. and not to cut off the Margin, but to fold it. ]