CHAPTER XXI.

Probable Causes which have produced the leading Changes in the Prices of Corn, during the last 30 *Years.*

At the commencement of the late war, in 1793, there was a considerable quantity of metallic money in the country. The banks, however, had absorbed a considerable share of the circulation, and were very ready to occupy the remainder as soon as a sufficiently extensive demand for their notes should arise.

At this period, the economy and expenditure of the country would of course be equal, and the loans which were contracted would create a demand in the money market, that would fall upon trade, and compel merchants, traders, and others to reduce their stocks. Thus, though by the increased value of money, an accelerated motion would be given to the currency, yet a greater supply of commodities would be brought into the market, and until they were consumed, the more rapid movement of the money in circulation would not affect prices.

In 1795, however, the price of corn began to rise, and became very high. This might

have happened from the increased motion of the currency alone, but to what extent, it would be difficult to say. The interest of money, however, had risen, and an increased demand upon bankers would be the natural result. In the early part of the year, the Bank of England had in consequence extended its issues very considerably, and the country banks had no doubt done the same.

As prices rose, the balance of trade would be determined against the country, and this would create a demand upon the Bank of England for gold, by which its notes would be run in upon it. Towards the end of the year, therefore, its issues appear to have been considerably contracted. This would not, perhaps, produce an equal contraction on the part of the country banks, as the balance of payments in favour of London would be met by remittances of gold then in circulation. The Bank of England, however, still continued to contract its issues, and this, together with the quantity of gold taken out of the circulation of London, in order to send abroad, or to supply the demands of the bank for the same purpose, would perhaps in the end check those of the country banks also. Towards the end of the following year, consequently, prices fell again to nearly their previous level, and the exchanges recovered.

It was thought at the time, that this rise was produced by a failing crop, as people were not then in the habit of thinking that money had any thing to do with price; and perhaps the crop was worse than usual; but as the exchanges fell immediately as the rise took place, this, to any extent at least, could not be the case. In a scarcity, the value of commodities, the produce of labour, is rather reduced than increased, and the foreign demand for them more likely to improve than decline. In 1667, as will be observed in the table of exchanges from the Encyclopedia Britannica, in the Appendix, which it is probable was a year of scarcity, the exchanges continued 8 per cent. in favour of London through the whole of it.

In 1799, the price of corn again began to rise. It is probable the crop of this year was a very bad one. The Bank of England, however, in 1797, had suspended cash payments, and was not now compelled to curtail its issues by any fear of demands upon it for gold; and it had begun to increase them very considerably, in which it had no doubt been followed by the country banks. The price of wheat, which was 49s. in the beginning of 1799, rose in 1800 to 121s. and as the bank still continued to increase its issues, in April 1801 it had reached 156s.

The scarcity of 1799 might probably have raised the price of wheat in 1800 ten or fifteen

shillings per quarter upon the average, as in former years of scarcity. But that these very high prices were the mere result of the extended circulation of the banks, is proved by the fact that prices were higher in 1801, after a good harvest, than they were in 1800, after a bad one.

Towards the end of 1801, however, prices began to fall, and in the following year nearly reached their former level. This does not seem to have been produced by any contraction of the bank issues. But peace with France took place the latter end of 1801; money became less valuable, and the funds rose. This would retard the motions of the currency, which would produce a reduction of prices. Perhaps the country banks might also have contracted their issues, from the sudden reduction in the value of money; for it is the issues of country banks that regulate the price of corn. A principal cause, however, was no doubt an extension of trade, and an increase of commodities in circulation, which would just have the same effect in reducing prices as a diminished quantity of currency would have. A great extension of tillage, in consequence of the late rise, had also probably taken place. It must likewise be observed, that a considerable quantity of gold had no doubt been exported, for there was still a large amount in circulation.

War commenced again in the latter end of 1803, and about a year afterwards corn again began to rise. This rise would not take place until the stocks of commodities which had accumulated in consequence of the diminished value of money during the peace, had been considerably reduced. When this happened, the increased motion of the currency, from the high rate of interest and profits, together with the reduced demand for currency by the curtailment of our foreign trade, would be felt. At the same time, the issues of the bank had been rather increased. In August, 1805, wheat had therefore reached 100s. which was nearly double what it had been the August before. It after that declined to below 80s., and continued at and about that price the whole of the next year.

In 1807, a contraction of country circulation seems to have taken place (see table in the Appendix, of stamps issued to country banks, commencing the year 1805) and wheat declined to 73s. upon the average.

At the peace of Tilsit, in the latter end of 1807, Bonaparte succeeded in shutting us out of all direct trade with the continent of Europe, which would curtail our demand for currency; but the issues of the banks were not reduced, and prices towards the end of the year 1808 began to rise considerably.

They continued high from 1808 to 1812, varying with the circumstances of our trade, and the extent of the circulation.

In 1813, a free trade took place with the north of Europe, and as no corresponding extension of Bank issues were made, corn began to decline: wheat fell from 122s. in March to 73s. in December, and continued at that average throughout the following year.

In 1815, a contraction of the circulation of the country banks took place, and wheat fell to an average of 64s. It continued low till the latter end of 1816, when probably the very bad harvest of that year had increased the demand for money in the country, as an extension of issues took place, and prices began to rise again. No extension of issues in the latter end of 1816 appears by the account of stamps; but it must be presumed, from the previous contraction, that there was a balance of notes on hand, which would be first issued before that increased demand for stamps, which appears in 1817, would occur.

In 1817, the issues of the Bank of England were considerably extended, and the average price of wheat was 94s.

In 1818, the Bank of England circulation appears to have been curtailed. Money had become plentiful in London, and the 3 per cents. had rapidly risen to 80. This, however, had not been the case in the country, for the banks increased their issues; and if we allow that prices were affected 20s. per quarter by the very bad harvest of 1816, which on 94s. is perhaps a fair estimate,—as the prices this year were 84s. it will make a national rise from the bank issues of 10s. per quarter.

The rise in the funds, however, induced many to sell out, and transfer their money to the country, which would create a demand for London bills, and curtail the issues of the country banks. Prices would consequently fall. In 1819, therefore, wheat fell to the average of 73s. Since then, the diminished value of money has continued, no doubt, to contract the country bank circulation, upon which the price of agricultural produce depends, and it has continued falling until it has reached its present depression.

For four or five years, commencing with 1809, the bullion and paper prices of corn were not the same. When gold had entirely disappeared from circulation, the issues of paper not being regulated by the state of the exchanges as before, prices rose above that level at which our foreign trade balanced; and the price of bills upon England, or the exchanges, consequently fell to the extent of this difference. Corn may be said then to have had two prices governed by different principles: its price in

paper governed by the quantity of it compared with the quantity of commodities in circulation; and its price in gold, governed entirely by the circumstances of our trade at the moment.

During the operation of Bonaparte's continental system, it was much more easy to smuggle our lighter and more valuable goods to the continent, than to receive those bulky commodities of which our imports generally consist in return. A cargo of our exports to the north of Europe is worth twenty or thirty of the imports with which we are paid. This trade, therefore, could only be brought to a balance by the excessive price of our commodities. At the same time, as a very small quantity of gold would reduce its price where there was no demand for it, its price would be merely nominal, and would be determined by the demand for bills upon England, or the state of the Exchanges; as this demand and the exchanges rose, the price of gold in bank paper would fall, and *vice versa*. At this time, therefore, the bullion price, as well as the paper price of corn was high. The following is a statement of the prices in both bullion and in paper, from 1809 to 1815 inclusive:—

Paper Price per Quarter.			Bullion Price per Quarter.		
1809,	-	95s.	1809,	-	82s.
1810,	-	106s.	1810,	-	95s.
1811,	-	94s.	1811,	-	83s.
1812,	-	125s.	1812,	-	97s.
1813,	-	108s.	1813,	-	80s.
1814,	-	74s.	1814,	-	59s.
1815,	-	64s.	1815,	-	53s.

That these prices were entirely governed by different principles, is proved by the fluctuations not being parallel. For instance in 1814, the price of wheat in paper fell from 78s. to 70s.; whereas the price in bullion rose from 56s. 6d. to 65s., and in 1815, the price of wheat in

January was	60s.	in paper,	and	54s.	in bullion.
May,	70s.	ditto		52s.	ditto.
December,	55s.	ditto		52s.	ditto.

So that while the price in bullion remained nearly stationary, the price in paper within the year fluctuated considerably.

At that period of the war, when our foreign trade was so variable and uncertain, the bank restriction act would have been a great advantage, had the paper circulation been governed by any kind of principle.

CHAPTER XXII.

With a Paper Currency, Importations of Foreign Corn cannot materially reduce Prices.

During the high prices which have occurred in the last 30 years, great importations of corn have always taken place when the ports of Europe were open to us, and as they always diminished when corn fell, it has been supposed that these importations reduced its price. Great, however, as they may appear at different times to have been, they never could at any time have had any very material effect upon the market; and that in fact they had no such effect, was proved in 1801, when, after a good harvest, and in the teeth of the greatest importations at that time ever known, wheat rose to a higher price than it ever was before, or has been since. The principle however, will appear more evident upon further examination.

Dr Colquhoun, in 1812, estimates the quantity of grain produced in this kingdom as follows:—

	Quarters.		
Wheat,	9,170,000,	at 70s. 6d.	£32,324,250
Barley,	6,335,000,	at 37s. 6d.	11,719,750
Oats,	16,950,000,	at 29s. 0d.	24,577,500
Rye,	685,000,	at 43s. 10d.	1,501,291
Beans and Peas,	1,860,000,	at 38s. 10d.	3,611,500
			£73,734,291

Now the total imports from foreign ports from 1813 to 1818 inclusive, after which the ports were finally shut, are as follows:—

1813. At prices corresponding to 108s. per quarter for wheat,	£2,192,592	
In order to put it upon a par with Dr Colquhoun's calculation at 70s. 6d. deduct say one third - - -	730,864	
		£1,461,728
1814. At prices corresponding to 73s. 11d. for wheat, from which we shall make no deduction - -		2,815,319
1815. At prices corresponding to 64s. 4d. for wheat -	793,245	
To which add one-tenth -	79,324	
		872,569
1816. At prices corresponding to 75s. 10d. for wheat, from which we shall make no deduction - - -		942,497
Carried over		£6,092,113

Brought forward		£6,092,113
1817. At prices corresponding to 94s. 9d. for wheat	6,403,893	
From which deduct say two-ninths - - - -	1,423,086	
		4,980,807
1818. At prices corresponding to 84s. 1d. for wheat -	10,908,140	
From which deduct say one-eighth - - -	1,363,517	
		9,544,623
		£20,617,543

Now the proportions which the imports each year bore to our average produce, are about as follows:—

1813	equal say to	$\frac{1}{50}$
1814	ditto	$\frac{1}{26}$
1815	ditto	$\frac{1}{85}$
1816	ditto	$\frac{1}{77}$
1817	ditto	$\frac{1}{15}$ or say $\frac{2}{32}$
1818	ditto	$\frac{1}{8}$ or say $\frac{4}{32}$

And the whole together equal to about $\frac{9}{32}$.

By comparing these importations with the difference in quantity there is between the crops of ordinary seasons, it will be seen how perfectly inadequate they are to produce any material effect upon prices. Altogether they do not amount to the difference between the harvests of 1819 and 1820, and these harvests were not, we should imagine, either so remarkably defective or abundant as naturally to produce any great effect upon prices. Presuming last year an average crop, the following gives the scale of produce and of prices since 1815. The crop of each year is of course sold the year after.

1815, ...	Average price of wheat		64s.
1815, 37 quality good	1816	ditto	75s.
1816, 25 very bad in quality, nearly rotten	1817	ditto	94s.
1817, 33 quality not very good	1818	ditto	83s.
1818, 32 quality very good	1819	ditto	72s.
1819, 27 quality very good, but not so good as the year before	1820	ditto	65s.
1820, 37 sound and dry, but not so good as the two preceding years	1821	ditto	54s.
1821, 32	1822	ditto	43s.

It will be observed that from 1817 to 1822, there has been an averge reduction of about ten shillings per quarter. Now adding the reduction from 1819 to 1820, and from 1820 to 1821 together, it amounts to 18s. per quarter which is 9s. per year. The crop of 1819, however, was $\frac{5}{32}$ below an average, and the fall only 7s. It appears therefore, to have been checked about two shillings per quarter; while the crop of 1820 being $\frac{5}{32}$ above an average crop, and the fall 11s. per quarter, it appears to have

been increased in the same proportion. An increase of $\frac{5}{32}$ therefore seems to have reduced prices 2s. a decrease of $\frac{5}{32}$ to have increased them to the same extent, making a difference between the two harvests of 4s. per quarter. Assuming, therefore, the fall to be a question of currency, and this variation to be produced by the difference of the crops, we are led to conclude, that if all the importations for the six years enumerated, had taken place in one, they would have reduced wheat about 4s. per quarter. But if we say that they could not have produced an effect exceeding twice that, the correctness of the position will hardly be doubted.

We are willing, however, to allow it to be extremely possible that sudden importations to a great extent might with a metallic currency, have a considerable effect upon prices. It might determine the balance of trade against the country; and as the corn came into the market, the money which represented it might go out: as the supply increased, the consumption might be diminished; by which not only an immediate, but a permanent fall of prices would be the result. But in this case it would not be the importations of corn, but the exportation of money, that would produce the material effect. The depression of the markets would still be more a question of currency than supply. It is impossible, indeed, unless we suppose that a supply of foreign corn will frighten a market out of its wits, that with a paper currency it can either affect the market after it is consumed and out of it, or can have a greater effect in reducing prices when in it, than a corresponding increase of supply by a good harvest.

It is even very possible that importations of foreign corn may have the effect of raising its price, by giving rise to a demand for bank accommodation. If a merchant imports a thousand pounds worth of corn, and borrows a thousand pounds worth of notes in consequence, he puts as much money into circulation as perhaps would promote the consumption of ten times the quantity; and I have no doubt that the late rise was at the moment rather increased than diminished by the importations which took place. This to a certain extent, at least, has evidently been the case with foreign corn in bond. The banks in Newcastle are at this time under considerable advances upon security of this description of corn; and to the extent of that advance the currency must have been extended, or prevented from contracting. If this corn was brought into the market, or all the bonded corn in the kingdom, it is hardly probable that, so far as the additional supply operated, it would affect prices one shilling per quarter. But if the money which it produced,

was taken out of consumptive circulation, and paid to the banks, or placed in their hands, which would probably be done, and the consumption in consequence diminished as the supply was increased, a great reduction of price would no doubt be the result.

The ports were closed against further importations in February, 1819. Since then, of course, no more supplies of foreign corn have been brought into the market. Now admitting that one half of the foreign corn imported in 1818 was unconsumed when the harvest of that year was gathered, it would make the total supply for 1819, 34 by Messrs Cropper, Benson, and Co.'s scale. If we further assume 72s. the price of that year, to be proportioned to the supply and state of the currency at the time, had the prices since then been governed by the state of the crops alone, they must have been as follows :—

					Average of Wheat.
1818.	34 bushels per acre.		1819,	...	72s.
1819.	27	ditto	1820,	...	90s.
1820.	37	ditto	1821,	...	66s.
1821.	32	ditto	1822,	...	76s.

Whereas the actual prices were :—

1819,	73s.
1820,	65s. 7d.
1821,	54s.
1822,	44s.

Nothing can be more clear from the above statement, than that the present low prices are produced by alterations in the currency. The reduction never could proceed from the supply, when the supply within this year or two has fallen off; nor yet from importations of foreign corn, for there has been none.

A good deal has been said about the effect produced by the large supplies of corn from Ireland; but I do not see how an increase of growth in Ireland is to have a different effect from an increase of growth in Yorkshire or Northumberland. The reasoning which applies to the one applies to the other. If it is wished to lay an exclusive tax upon Ireland, tax her produce imported into this country, and keep down her national prices below the level of ours; but if not, and she is to enjoy all the advantages of our manufacturing superiority, having a sea to cross does not affect the principles we have endeavoured to establish. It is a shorter carriage, and less expensive, to send corn from Ireland to Liverpool, than from Berwick to London.

CHAPTER XXIII.

The present Price of Stocks a Proof of a Contraction of Currency.

That the present agricultural distress must be caused by a contraction of the circulation of the country banks, is a proposition which, I trust, is now almost self-evident; but a further proof of it is afforded by the present low price of the funds.

If we examine the stock table, in the Appendix, and compare it with the table of the rise of the national debt, since the revolution, from Dr Hamilton's Inquiry, we shall have sufficient reason to conclude that, without some particular cause, the 3 per cents. ought, by this time, to have been far above 80.

At the commencement of the war, in 1740, they were about 100. The stock table commences 1731, and gives, up to that period, the following yearly averages:—