

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:—



1731, 95  
 1732, 98  
 1733, 98  
 1734, 92  
 1735, 94  
 1736, 105  
 1737, 106  
 1738, 105  
 1739, 100  
 1740, 99

At the commencement of the war, in the year 1740, the national debt appears to have been £47,954,623, and at the peace of Aix-la-Chapelle, eight years afterwards, it had increased to £79,193,313, that is about twenty-one millions; in which time, the prices of stock were as follow:—

1741, 97  
 1742, 100  
 1743, 101  
 1744, 94  
 1745, 89  
 1746, 83  
 1747, 84  
 1748, 86

It is not improbable that government had not begun to borrow until 1744, as the funds did not fall until then. They were at the lowest, at the commencement of 1746, and, in that year, as we have before stated, wheat, without

any scarcity, rose very considerably. In the eight years of peace which followed, the debt was reduced between five and six millions, and the prices of stock were—

1749, 98  
 1750, 99  
 1751, 100  
 1752, 104  
 1753, 104  
 1754, 103  
 1755, 95  
 1756, 88

In the latter year, war commenced again, and, probably, preparations for it had begun the year before. It continued seven years, during which the debt was increased sixty millions. In this period, the prices of stock were—

1757, 89  
 1758, 93  
 1759, 82  
 1760, 81  
 1761, 77  
 1762, 75  
 1763, 89

From this time to the American war in 1775, a space of ten years, ten millions of debt were discharged, in which interval stocks were,—



1764, 82  
 1765, 88  
 1766, 88  
 1767, 89  
 1768, 90  
 1769, 87  
 1770, 84  
 1771, 85  
 1772, 89  
 1773, 86  
 1774, 87  
 1775, 88

The American war lasted eight years, and an addition of £115,000,000. was made to the debt. In this war stocks were,—

1776, 85  
 1777, 78  
 1778, 64  
 1779, 60  
 1780, 61  
 1781, 57  
 1782, 57  
 1783, 53

Peace now continued to 1793, in which ten years the debt was reduced ten millions, and stocks were,—

1784, 55  
 1785, 62  
 1786, 72  
 1787, 72

1788, 75  
 1789, 76  
 1790, 77  
 1791, 84  
 1792, 90  
 1793, 75

In 1792, they had attained 96, but fell in contemplation of the war which broke out the year following.

Since the termination of the late war, the three per cents. have never risen except in a trifling degree above 80; yet from this brief review, it must be evident that with the immense reduction of expenditure by government which has taken place, stocks by this time ought to have been at much higher prices. It is not at all probable, that as government reduced its expenditure, individuals would increase theirs in exactly the same proportion, even keeping the sinking fund out of view. The consequence in that case would have been, that the economy of government would have reduced the interest of money and profits of trade, and have raised the price of the funds, had it not contracted the currency.

While the interest of money to individuals is kept up to five per cent. it is certain that the value of government securities will bear a determinate proportion to it: in the money market, the respective securities must, like other



commodities, the quality of which are known, have their relative prices; and government securities, according to the present state of opinion, appear to be worth one per cent. per annum more than those of individuals. It is probable, therefore, that until the currency is principally re-issued upon deposits in London, the three per cents. will not rise much above 80.

Up to this price, however, they have risen without difficulty. Even in 1809 and 1810, during the war, they were at 70. In 1817, eighteen months after the termination of hostilities, they were 80, and occasionally 1 or 2 per cent. above it; from whence they declined in the latter part of 1818, probably in consequence of the foreign loans, until 1820, when they began to rise again; and in Oct. 1821 they were at 78; between which and 80, or a trifle above it, they have continued ever since.

By the contraction of the currency the value of money is kept up, while the prices of commodities are reduced, and the balance of trade determined in favour of the country; by which an importation of the precious metals to supply the deficiency is caused. But though by this importation the currency will be re-extended, and the prices of commodities ultimately raised to what they were before, the value of money will not, of course, be reduced by the same

means. The money which comes into the country is received in payment for commodities, and will be spent in consumption by those who receive it, the same as if it had been in previous circulation. It will only be that proportion which is saved out of the incomes of those who receive it, that will tend to reduce the interest of money, and that must be but a trifling part of the whole. If, therefore, the currency were to annually contract four or five millions, and four or five millions were received by the balance of trade, whatever the immediate effect upon prices might be, which we shall again speak of hereafter, the interest of money would still be kept up, and the contraction would still go on.

Opinion, we have no doubt, has some effect in keeping the stocks at their present prices. I remember hearing that the Scotch banks sold out of the funds very largely when the 3 per cents. were at 80, in 1817 and 1818, and it was thought a wonderful instance of financial sagacity; and it seems now a pretty general opinion that 80 is about their maximum. If they were expected to be higher, capitalists would not be desirous to place their money on mortgage, until they had attained the expected price, and this would cause them to rise to it.

What prices stocks might by this time have



attained, with a metallic or an incontractable paper currency, it is impossible to say with certainty. The value of money is different in different countries; but it appears to be always the lowest in the most commercial nations, and in the most advanced state of society. In Dr Smith's time, the government of Holland borrowed at 2 per cent.\* I should imagine, however, that three per cent. was about the natural rate for this country, the rate which may be termed its par. Money never seems to have been worth much more than three per cent., whereas during peace, the funds have been oftener at or above 100, than below it. In the ten years of peace which preceded the American war, they did not indeed rise much above 90, and were oftener below than above that price; but the high prices of corn in 1767, and those which followed in 1771, 2, 3, 4, and 5, appear to have given a great stimulus to agriculture, which would absorb capital, and keep the funds from attaining that price to which they would otherwise have probably arrived. In 1792, just before the war broke out, they had very nearly reached 100: they were at 96, when they began to decline, in prospect of the war, which was declared the year following.

\* Wealth of Nations, Book I. Chap. 9.

If the capitalists of society are a country's greatest economists, it must necessarily follow that the more society advances, and the greater is the proportion of its income which capitalists enjoy, the greater will be the number of its economists, and the lower the interest of money. In Russia, where society is considerably behind, at least the commercial part of Europe, interest of money is high. The Commercial Bank of St. Petersburg, I understand, gives 5 per cent. for deposits made with it, and discounts at from 6 to 10, according to the supply and demand for money at the time. This bank only deals in money; it does not make it. It therefore necessarily regulates its charge for discounts according to the state of its funds, and the demand for money at the moment; which from some peculiarity in the trade of St Petersburg (if there is so great a difference in the interest charged at different times) is perhaps very variable.

There is, however, no reason why money should be worth less in this country now than it was 100 years ago. The capitalists, in proportion, are more numerous than they were then, and our agricultural improvements are at a stand; and when we take into account the forced economy produced by the sudden and enormous reduction of government expenditure, there seems little reason to doubt, that



with a different system of currency, the 3 per cents. must have been at 100 by this time; even though they should have subsided after the effects of the economy of government had ceased to be felt in the market. Their present price is, however, a sufficient proof of a contraction of currency, as without that they must at least before this have risen above 80.

## CHAPTER XXIV.

*Sinking Fund.*

It is not, I believe, until within these twelve months, or two years at most, that the actual receipts of government, since the return of peace, have exceeded its expenditure, that is, since the sinking fund began to operate. We now, however, have a *sinking fund*, and I have no doubt it has proved one to the agriculturists. They were sunk low enough before, but since it was added to the general excess of economy, many of them I dare say, have found themselves entirely ruined.

The fall was greater last year than in any year since the last declension of prices began. It was 11s. upon 54. A contraction numerically as great with wheat at 54 as at 84, must throw upwards of half as much more in quantity into the market without its means of consumption, and in a similar proportion with any other price: so that there must have been a greater quantity of corn thrown into the market last year, without its means of consumption, than any year before.

There can be little doubt indeed, that the



economy of the last session of parliament was most unfortunate for those it was intended to serve. It is not an impossible supposition that they might lose ten millions for every one added to the sinking fund.

But independent of the effects upon the currency, under the present system, produced by government contracting large loans, and afterwards attempting to discharge them, the principles of which have been sufficiently illustrated, the policy of this plan of finance is in other respects extremely questionable. It is, in fact, absurd on the one hand, and unjust on the other.

More than the income of society cannot be spent, and a loan is nothing but a tax through the interest of money and profits of trade. It is even more—it is a double tax. For every million saved by the economist out of their increased profit, it is probable that another, at least, is spent. When people make money with more ease, they naturally spend it with more freedom; and the additional interests and profits created must not only be equal to furnish the loan, but to cover this additional expenditure also. Consequently the borrowers furnish out of their own pockets, probably, twice the amount of the sum they borrow, and saddle themselves with an annual charge besides. It may be almost laid down as a principle, that a

nation which can regularly supply its government with loans, to any particular extent, could with half the ease pay, within the year, direct taxes to the same amount.

On the other hand, with a proper currency, a sinking fund would be no loss but a gain to the ultimate payers of the taxes. If the whole income of society must be spent, the sinking fund cannot be saved, but must necessarily curtail the incomes of the economists. If not more than a certain amount of money is wanted, both the economists and government cannot save it. Indeed the idea of saving corn, cabbages, and other consumable commodities which the income of the sinking fund represents, appears quite ridiculous, and would be nonsense were it possible. It may be good housewifery to economise by hoarding commodities for any thing I know, more especially if there be plenty of pigs and ducks to gobble up the victuals that spoil, and other equally thrifty means of disposing of the other descriptions of commodities that may be wasted; but a nation cannot economise in this manner: the savings of one class or body must curtail those of another.

Nothing indeed could be a finer speculation to the ultimate payers of taxes with a proper currency, than a sinking fund. It would not merely curtail the interest of money and profits



of trade to the amount of itself, but probably to many times that amount. It would reduce, in fact, in an equal degree, all income throughout the kingdom, the value of which depended upon that of capital: buildings, ships, mines, and every description of created property would be affected by it. So that every million thrown into the market would be felt from one end of the nation to the other.

All those whose incomes depend upon the value of money, ought to resist by every means in their power the continuance of this fund, properly called sinking, so far as they are affected. To continue it would be nothing but a very ingenious method of taking so much money out of their pockets, by robbing them of that due share of the national income to which they are naturally entitled.

Perhaps it may be said that they have had great gains during the war, and a sinking fund would now be but a fair retaliation. Would it, however, be fair to feed a servant on very rich food until he could not live without it, and then say, Now, Sir, you have for a long time been fed too well, and in order to balance accounts, you must be fed on turnips and carrots? No—the reply would naturally be,—You have given me habits which I cannot easily change, and if that is not an argument why the style of living is to be continued, it is none why

I should be starved to death. The great profits enjoyed by the mercantile classes for so long a period during the war, is the very reason why they should not be artificially reduced now. The mercantile classes have acquired habits of expenditure which they cannot easily alter, and they will no doubt find them sufficiently low without the expedient of a sinking fund. And as to the debt, unless the mortgagees can be put in possession of that part of the property of the nation to which they are entitled, nothing can with justice to all parties be done, but allow it to remain as it is.