CONSIDERATIONS

ON THE

STATE

OF THE

COLONIAL CURRENCY,

AND

Foreign Exchanges,

AT THE

CAPE OF GOOD HOPE.

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FOREIGN EXCHANGES,

AT THE

Cape of Good Hope:

COMPREHENDING ALSO,

SOME STATEMENTS RELATIVE TO THE

POPULATION, AGRICULTURE, COMMERCE,

AND

STATISTICS OF THE COLONY:

BY

LIEUTENANT P. WARDEN GRANT,

Of the Bengal Revenue-Survey Department.

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INTRODUCTION.

It may be proper to premise, that the author was led to record his sentiments on the subject of the following Essay, in consequence of some discussions which lately originated respecting the state of the Colonial Currency. To this subject Mr. Trotter, of the Bengal Civil Service, had devoted his attention; and the author was favored with the perusal of a Memoir addressed by that Gentleman to the President and Committee of the Commercial Exchange. On a first perusal of this document, he felt disposed to concur generally in Mr. Trotter's views, but on a more mature consideration of the subject, and having obtained such *data* as appeared essentially necessary to the forming of a just judgment, in regard to the single question of depreciation—a question which involves many important inquiries into the Civil and Political Economy of the Colony, his sentiments underwent considerable alteration; and the following pages exhibit the author's reasons for dissenting from some of the conclusions to which Mr. Trotter came.

It is unnecessary, I should hope, to offer any apology for obtruding these pages on the attention of the public. The inquiry is one in which the interests of the community are involved, and the author will rest satisfied, if the labors of his leisure hours shall excite a spirit of accurate research, and temperate discussion, for which there are many individuals in this Colony, whose judgment, experience, and observation, would supply every qualification that can be desired.

It is proper to add, however, that the present Essay is not written expressly with a view to oppose Mr. Trotter's opinions, which seem to be, that the paper rix-dollar has not depreciated in value from *excess,* since 1806; that the premium on the exchange with England, is a real premium above par, arising from excessive importation, and the consequent balance of payments incessantly accumulating against the colony since 1806 and 10; which balances have become an enormous debt against the colony, giving rise to an inordinate premium in favor of sterling money, averaging about 180 per cent. above par. The facts and reasonings contained in the following Essay, are adduced with a view to prove an opposite conclusion.

Mr. Trotter's memoir embraces many details which the author has not leisure to examine: indeed, this Essay, extends further than the limits originally assigned to it. The acknowledged abilities of Mr. Trotter, his zeal for the public good, and his judgment and experience in commercial affairs, justly entitle his opinion to all the weight which such important qualifications for research can confer; and the author would not have entered on the arena of discussion, against so formidable an antagonist, if the sentiments of individuals, in whose judgment he has the greatest confidence, were not in perfect unison with his own.

The question of depreciation is one of great interest both to the Government and to the community at large. From the numerous publications which have issued from the London press on this subject, within the last 10 years, one would imagine, there could be no difficulty in deciding on the question as respects this colony, divested as it is of many complicated facts and principles in which it has been involved in our native country. But, as is justly observed by a judicious writer on the same subject, every one knows, how difficult it is to make the generality of men, especially of men who are engaged more or less in practical dealings, contemplate questions of the kind *steadily and impartially*. A considerable effort is necessary to enable them to abstract their ideas from the crowd of *adventitious* circumstances in which they are already enveloped; and still more from the personal interests involved in them. The opinion that the *value* of the medium of circulation, rises or falls, *according to the demand compared with the supply of bills on England*, seems to be pretty general in this colony, and has led, as might have been expected, to the most erroneous views of the nature and offices of a circulating medium; whence, in order to account for the depressed value of the currency, and the other *evils* inseparable from a depreciated standard—men have recourse to the old hackneyed terms, *over-trading* and *excessive* importation. This opinion has so long prevailed in certain quarters, that habit seems at length to have superseded reflection, and to have become too inveterate for instruction, and too stubborn for correction. There is, however, no principle in political science more certain than this, that, the *value* in reference to gold or silver of a paper currency, that is of the circulating medium in the aggregate, depends entirely on the *extent of business* it has to perform in the country where it circulates; and is "proportionable to the quantity of moveable and immoveable objects of property, that there may be to be circulated."

At present the annual amount of sales in the colony is stated not to exceed 9,000,000 Rds. or about 750,000*l.* On the supposition that between 1806—10, they averaged 560,000*l.* or 3,300,000 Rds. there were no less than 2,000,000 of dollars to circulate an aggregate value of about 3½ millions—an uncommon disproportion. "No writer of repute," says Mr. Say, "has ventured to estimate the value of the circulating specie of any nation higher than 1-5th *(one-fifth)* of the annual national product: some indeed have reckoned it as low as 1-30th. Taking the highest estimate, viz. 1-5th of the annual product, which for my own part, I consider greatly *above* the reality in *any* case, a nation, whose annual product should amount to 20,000,000 would need but four millions of currency." Now, if to circulate products valued in 1806 at 3,360,000 Rds. or about 560,000*l.* a currency of 2,000,000 Rds. or 330,000*l.* equal to 4-7ths, was perfectly adequate,(and, according to the highest computation 1-5th or 560,000 Rds. would have been quite sufficient,) every addition to the currency thrown into circulation by the bank, either by *loans* or through any other channel, must infallibly have diminished its value; but so long as the amount of currency (at a given value) in circulation is limited to that *proportion* which is requisite to circulate the whole exchangeable products of the colony, it *cannot* fall in value, and it is equally certain and indisputable, that large *importations* of produce, by adding to the value of the circulating commodities would tend to *increase* rather than diminish the value of the circulating medium. In 1802, the currency in circulation and in the coffers of the bank, amounted to..... 1,200,000

1806, ...	2,083,000
1811, ...	2,580,000
1814, ...	3,100,000

In all discussions then, relating to the currency of this colony, this important principle must be kept in view, that the value of a circulating medium, and by consequence the value of each and every part of it, whatever be its nominal denomination, depends chiefly, if not solely on its quantity; and that its nominal value, whether it be a paper rix-dollar, or a one pound bank note, differs from its real value, that is, from the value it was issued to represent in proportion to the excess of the whole *nominal* value, above the *full* value that is required to perform the business of internal circulation.

If its diminished value arises from discredit, it is difficult to see how any reduction of its quantity can enhance its value and utility as a medium of exchange. But its diminished value cannot possibly arise from *discredit*. It was more likely to have been affected in value from this circumstance before the peace than subsequent to it; for at that time there was a possibility, nay a probability of the colony being restored to its original masters: it has since become a permanent appendage of the British empire: Moreover, discredit could only affect its *value*, when convertible, or when circulating with specie—but it is the *only legal tender*. It is received in payment of taxes, &c. and therefore if due regard had been paid to its quantity, it would have retained its value. The same advocates insist that "the Government should not be allowed to augment the currency of the country as *hitherto*, and thus possess a power of *depreciating* at pleasure the currency of the country;" and the bank is accused of "being the means of augmenting the *capital* of the colony beyond the means of wholesome circulation, and thus "*running the risk* of *depreciating* the value of commodities, and enhancing permanently and universally the prices of British and colonial produce." The caution implied in the first quotation would have been premature, if it had not been justified by the event. If the circulation required an increase of 1,000,000 Rds. as has been asserted, the issue of this sum was a clear saving to the public, and the measure was judicious.

By "the *capital* of the colony," it is presumed, is meant the issue of paper money by the bank, as it must be the object of the Government to add to the capital of the colony; but the bank did not issue *more* than it possessed, and every *addition* created by Government, necessarily *added to its power* of issuing paper money. *If* the whole paper money, amounting to 3 million of dollars was necessary for the purpose of a circulating medium, it was of course the duty of the Bank to give it a chance of finding its way into circulation, which we are told stood in so much need of it. The Bank is accused by the opponents of depreciation of " *inundating* currency by long loans." If this means that the Bank has locked up the currency in its coffers, the circulation could neither have been benefitted nor injured by the additional issue of one million. If on the other hand this sum had been *required* as these advocates insist it was, to aid the circulation, there was no impropriety in allowing it to circulate.

It is difficult to understand what is meant by a " disordered and diseased state of the currency," unless the " disease" be the enhanced prices of all commodities, injurious to all annuitants and pensioners, and to all classes having fixed incomes. This is *always* the effect of over-issue of currency. The opponents of depreciation sometimes admit a partial, and sometimes an universal rise in the prices of commodities, and at other times they affect to deny it altogether, or attribute it to other causes. They sometimes admit that prices have risen 100 per cent. since 1806, and that the currency has diminished in efficacy; " but," say they, " this is no proof of depreciation, though owing to the injudicious system of the Bank a very *immoderate sum* is required for a circulating medium." We were before told, that the *increased demand* for a circulating medium required an addition to that already in existence; and we are now informed, that it was the injudicious system of the Bank which rendered it necessary. This, if it means any thing, must mean, that the Bank *stinted* the circulation; but the *effect* of all Banking is *not only to increase the amount*, but *to lessen the demand for a circulating medium.*

As already intimated, the opponents of depreciation recommend the redemption of the million of dollars issued since 1809, because they " conceive there is an excess of one million." Let it not be imagined, however, that they " admit excess and depreciation, which is not the case;" but they " conceive, that owing to the augmentation of one million, the currency which previously existed was *unjustly debarred from the opportunity* of finding active employment and *legitimate advantage*, which would not have been the case had no augmentation taken place." We are left, however, to conjecture by what process the currency could have been affected, as a medium of exchange, "by the legitimate advantage of interest." We were before told, that "the currency was inundated by *long* loans;" that is, by *extensive issues* of paper money in loans for a series of years, and that the currency formerly in circulation being inadequate for the purpose, an addition of one million was required: now we are told, that it could not find active employment in consequence of the increase; that is, from *excess*. There seems, moreover, to be a misconception in regard to the business of a circulating medium. Its business is not to realize interest, but merely to act as a medium of transfer. Interest is derived *not* from the use of the material of money, but from the use and application of the *products* which it *circulates*. No addition of the currency can add to the materials of capital; the demand for an additional currency is the *effect, not* the *cause* of augmented capital.

The disadvantage of adding to a circulation already overloaded, was to diminish the value of that portion previously in existence. Those individuals among whom the two millions were subdivided, whether the amount were at their credit, or in actual possession, obtained it by giving in exchange an equivalent value, and must have sustained a loss by the subsequent fall in its value, arising from an addition to the circulation of 50 per cent. But this is not all, the additional issue tended to alter the distribution, to derange the proportions, and to diminish the *quantity* of *productive* capital, formerly established in those channels to which capital had been drawn. Government gave its notes in exchange for labor, commodities, and the materials of *productive* capital, to be employed by an unproductive *agent* in unprofitable channels. Government had nothing to give but its notes and pieces of paper in lieu of that capital which would have been drawn to the land or some other productive department. The capital thus drawn into the vortex of public expenditure, would not have flowed naturally of its own accord into such a channel. The whole capital was consumed. It was taken from those who had paper money, to give to those who had nothing to lose, and it did this by diminishing the value of all that was left. This is the true "disease" and "disorder" of the currency, and without a right comprehension of the great difference between private and public expenditure, and a clear perception of the process by which capital is generated, it is impossible to form a definitive opinion of the evils resulting from over-issue. We may form some idea of its extent, by considering the different effects which would have resulted, if, instead of thus insidiously taxing the community, to the extent of a million of Rix-dollars, and the annual interest of that sum, the Government had borrowed the same, or given Bills of Exchange on England, to the extent of this issue. In the latter case, these bills would have gone to the purchase of commodities, and the materials of capital, which would have been imported into the Colony and replaced the value of the labor and capital expended by the government; there would have been no loss of capital, no derangement of its proportions in different departments, no obstruction to its free circulation, and no alteration in its distribution.

Various opinions have been entertained in regard to the tendency of a public debt to diminish national wealth. Some writers, indeed, have gone so far as to assert, that a public debt was but so much added to the public wealth. It is true that the interest of such debts, is a debt of the right hand to the left: but in this Colony, neither principal nor interest exist: the principal has been spent as *revenue*. If it had been borrowed (instead of having been *taken* by throwing a million of Bank notes on the circulation), the Colony would not, it is true, have been deprived of the interest, for that is merely transferred from one class to another; but it is deprived of the *income* which would have accrued from the million of productive capital consumed by Government. If interest had been paid, it might have been employed productively, and thus compensated individuals for the loss they have sustained.

It is to be observed, however, that the funds thus *surreptitiously* obtained were *not* embezzled; they were, no doubt, faithfully appropriated to the laudable purposes of embellishing the Colony, and of contributing to the comfort and convenience of the inhabitants. It is not against the *object* of the funds that we contend, but against the mode in which they were realized. There were, it is to be presumed, many cogent objections of a political nature to raising money by loans. What these were, we are left to conjecture. If, however, the original funds set apart for the redemption of the successive creations of Rix-dollars (*i.e.* if the revenue accruing from the public works) had been appropriated to this purpose, there would have been less cause to regret the measure. As respects the interest of Government, the issue of paper money was highly injurious, and destructive of its *efficient* resources. It enhanced prices, salaries, and foreign exchanges, and increased the annual expenditure of Government, in a greater proportion, than the income derivable from the public works and buildings, for the construction of which, the original funds were appropriated. Whereas, if the money had been borrowed, the nominal expenditure of government would not have increased, and the income derivable from the public works, would, by this time, have paid both principal and interest. The loan too might have raised for a while, the exchangeable value of the Rix-dollar in reference to bills, and thus rendered the premium on the Foreign exchange more favorable to paper money.

If the facts brought forward on the present occasion, to prove that the currency is depreciated from over-issue, are such as to render the question no longer a matter of doubt and uncertainty, the Government is bound, by every consideration of justice and expediency, to adopt measures for the extinction of the paper it issued; and thus remove the train of evils concomitant with its existing inordinate magnitude.

If, on the other hand, the paper has not been depreciated from excess, the interposition of the Government is unnecessary; for an individual in this case cannot have sustained any losses from the issue of one million of Rix-dollars; to withdraw from the circulation what is affirmed to be necessary for its advantage, would be no less ruinous than absurd.

But it is of the utmost consequence to the Public, that the fact of depreciation from over-issue, should be clearly ascertained by an accurate induction of facts. If the paper Rix-dollar be not depreciated from over-issue, no reform in the system of Banking can possibly restore its value. In fact, if there be no excess, there is no necessity for withdrawing any portion of it; on the contrary, to diminish the circulation in such circumstances, would be highly injurious to all classes.

On the other hand, if the currency be really depreciated from redundancy; if three millions of dollars *are not required* to circulate products not exceeding the value of nine millions, two important questions arise:—First, the quantity of currency to be redeemed; and secondly, what measures may be most expedient with a view to its immediate or gradual extinction. I shall, however, defer to the conclusion such remarks as occur on this subject.

There can be but one opinion as to the necessity of adopting immediate measures to prevent the further depreciation of the paper, and the consequent ruin to which individuals must inevitably be exposed. Of the disposition of the Government to afford every *practicable* facility towards the accomplishment of an object of so much importance to its own interests, and to the prosperity of the colony, there can be but one opinion; and it only remains for me to add the expression of my entire conviction, that every thing will be done by the existing government, which its wisdom and experience shall suggest.

In discussions connected with financial or statistical research, the want of *official* records must be sensibly felt. For some of those which the author has made use of, he is indebted to Mr. Eaton, Chairman of the Commercial Committee, and to Mr. W. Robertson, a gentleman of distinguished abilities, and intimately acquainted with all matters connected with colonial commerce and statistics. It was suggested to the author, that the present paper might be made a convenient channel for communicating to the country people, some of the leading principles of statistical science, in order to excite a desire on their part, to keep accurate records of the outgoings of cultivation, and other farming expenditure. Such an attempt, however desirable, the author's short stay in the colony would not permit him to make, even were he qualified to undertake it. Indeed, it is only a few weeks, since the author was first induced to direct his attention to the state of the currency, and from the prospect of immediately leaving this colony, he has been induced to finish this Essay in a hurried manner—a circumstance, however, which he hopes will serve as an apology for any inaccuracies or errors that may hereafter be discovered.

No subject can be more interesting than an inquiry into the state and prospects of the productive industry of the colony. To such an inquiry, the Government would, doubtless, be disposed to afford every practicable facility. But there are difficulties in the way; and it is not to be expected, that any man will voluntarily come forward, altogether divested of prejudice and false principles, or who has not some favorite *opinions* which he seeks to establish, and some objects in view which he may not think it prudent to avow. Those gentlemen to whom the interests and well-being of the farming classes are objects of anxiety, should endeavour to impress upon the farmers the necessity of keeping accurate registers of *all expenses,* however minute, stated under different heads. Many of the farmers, particularly those who have come into the colony since the peace, are intelligent and well-informed men, who can duly appreciate the value of such records, as respects both their own individual interests, and the application of such data to statistical and legislative science.

When correct data are once obtained, Government will labor under no difficulty, as to the best means of promoting the interests of all classes; and it is the interest, and it must be presumed to be the desire of Government, to act justly and impartially towards all classes.

In adverting to the conduct and policy of the Colonial Government, it was impossible not to touch on facts, impugning, in some degree, the expediency of its measures. The instances, however, are few, and the author trusts he will be found not to have exceeded the limits of *decorous* remark and just observation. He is not aware that he has made use of a single expression calculated to offend the feelings, or to involve the personal interests of any individual.

The circumstances under which this Essay has been prepared, are such as to disarm the severity of criticism:—From just criticism, however, both the author and the public will derive equal benefit.

Finally, the author will feel amply compensated for his labor and trouble, if his researches shall prove useful or instructive to any portion of the community.

CAPE TOWN, CAPE OF GOOD HOPE,
1*st February*, 1825.

CONSIDERATIONS, *&c. &c.*

SECTION I.

In examining into the state of the Colonial Currency, and the circumstances which appear to have diminished its value in circulation, two obvious questions present themselves:—First, the causes and extent of depreciation since 1806; and secondly, the influence of this depreciation on the Foreign Exchanges. These two questions involve a consideration of all the most important facts, which, on the limited plan of the present memoir, can be brought to bear on the subject; and in the course of our inquiries, we shall more particularly state the operation of the Exchange with England, on the Currency, and the *re-action,* if I may so use the term, of the Currency on the course of Exchange. A subject of this nature must necessarily embrace many topics of inquiry, which to some individuals may appear unnecessary and irrelevant. To readers conversant with the principles of financial and political economy, too much may be said; and to those who are not familiar with such subjects, we may fail to conduct the inquiry with that perspicuity and happy illustration, which is indispensably necessary to the full understanding of the subject. It is a subject too, of all others the most abstract and difficult to discuss with the desired perspicuity, without deviating into tedious and trifling prolixity. It may not be amiss, however, to enter into some details explanatory of the leading principles, which regulate the distribution, and determine the quantity of a circulating medium, requisite to perform the business of circulating the annual produce or products of a country.

A farmer, who grows wheat, oats, wine, &c. does not exchange the whole of these products, for other commodities; he will consume a certain quantity of them on his farm,—the remainder or surplus, he exchanges for other commodities, either in barter, or more generally for the commodity of money. The more of his own produce he consumes, the less he has to transfer to his neighbour; he has therefore fewer products to exchange; consequently, a smaller quantity of money will be required to effect the transfer of these commodities, than if he had exchanged all the produce of his farm. This principle, as it applies to one farmer, or one individual, applies to all the farmers, and to the community at large. If all the productive classes consumed the whole produce raised by their labour, there would, it is obvious, be nothing to exchange, and a country thus circumstanced could have no need of a medium of circulation, and indeed it is certain they could not procure a metallic currency, for if each individual or farmer consumed all the produce realized on his farm, he would have no surplus wherewith to purchase it.

The precious metals being chosen for the general medium of circulation, they are, by the competition of commerce, distributed in such proportion among the different countries of the world, as to accommodate themselves to the natural traffic which would take place, if no such metals existed, and the trade between countries were merely a trade of barter.*

From this brief exposition of the nature and offices of a circulating medium, it must be obvious that neither its value nor quantity depends upon the whole annual produce of a country, but on that portion of the annual produce which the producer does not himself consume, or which he transfers to some other individual or individuals, in exchange for the commodity money; and hence we deduce the general principle, that the greater the quantity of exchangeable products, and the greater the number of exchanges, in a given time, in any country, a larger circulating medium is required to perform the business of circulating these commodities; or if no addition be made to the circulating medium, while the number of products and exchanges increase, the value of the currency already in circulation will rise, and this increased demand for currency to perform the increased business of circulation, will be indicated by a general *fall* in the prices of all commodities.

If on the other hand, from the course of foreign trade, there should be an influx of the precious metals, the latter

* *Vide* Ricardo on Foreign Trade.

would necessarily fall in value, which fall is indicated by a rise of prices. This effect will evidently result, when it is considered, that the business of circulation is not increased by any increase in the quantity of the precious metals. The quantity of circulating and exchangeable produce remains exactly the same; and as the office of the precious metals is to *circulate* these products, any increase in the metallic currency or medium of circulation, must necessarily deteriorate the value of the whole in reference to commodities; and if paper currency be used, any increase of quantity will upon the same principle diminish its exchangeable value, *not only in reference to all commodities,* but also in reference to *gold and silver.* This is an universal truth, and is founded on the undeniable principle that the exchangeable value of all commodities is regulated by the demand compared with the supply.

The peculiar nature and offices of a circulating medium may be still further illustrated by observing, that as the whole annual produce of a country is not exchanged against the whole medium, (a fact already stated), neither is the surplus produce which the producers wish to dispose of, exchanged *at once* against the whole money in circulation; it is exchanged *in portions* during the course of the year. The same piece of paper money which performs one exchange or purchase to day, will perform another to-morrow; some pieces or notes will perform a great many exchanges, some very few. There will, however, be a certain number of exchanges performed by the whole currency, which, supposing all the notes to have performed, an equal number would have been performed by each; that average we may call 5, 10, 20, or 30. If each on an average perform 5 purchases, then the value of all the goods in the country is equal to five times the value of all the money in circulation. The proportion which the circulating money bears to the annual produce of a country has been computed at a fifth, a tenth, and even a thirtieth; but, whatever it be in particular countries, this proportion must always depend on the business it has to perform.*

* The annual production of Great Britain and Ireland is estimated, by Mr. Low, at 350,000,000. The national capital has been estimated, by several judicious writers, at 2,200,000,000. This is the value of private property only, and exclusive of all public and of all private property that is unproductive, as also of whatever is expressive of a debt from one part of the community to another, such as the stocks, mortgages, mercantile acceptances, &c. &c. The currency at present in circulation does not exceed 25 million.

If the annual produce of a country should increase 50 per cent. it does not therefore follow that the circulating medium should receive a corresponding increase. This is clear on the supposition already made, of all the farmers and productive classes consuming only those commodities the sole produce of their own labour. In such circumstances, both the produce and population might increase to any extent; and if the number of exchanges, and the value of the exchangeable portion of the annual produce did not increase in a *greater ratio,* no addition to the circulating medium would be required to perform the business of circulation. It follows, that in countries possessing a circulating medium, an increase of annual production does not necessarily infer a demand for a corresponding increase of the currency. On the contrary, in proportion as a country advances in wealth and civilization, the circulating medium bears a less and less *proportion* to the value of the whole annual produce. An addition of currency may be required, but not corresponding to the increase of annual production. The annual production of Great Britain has tripled or quadrupled within the last 40 years, and the value of the productive capital is not short of two thousand two hundred millions; but the circulating medium, which in the former case may have been 1-5th of the value of the annual produce, is now less than 1-12th. There is a *greater absolute,* but a less *relative* increase in the circulating medium. Hence the mere increase of population and annual production, is no criterion, as has been asserted by the opponents of depreciation, of an increased demand for a circulating medium. Every increase of wealth, since it is accompanied by increased rapidity of circulation, necessarily counteracts this effect. In rude societies, little advanced in the arts of civilization, the circulation is very slow; and in such a country the value of the currency, however small in amount, bears a very great proportion to the value of the whole produce.

In more advanced stages of civilization, when individual wants have become various and numerous, *productive operations very much subdivided, and the division of labour carried to a great extent,* money becomes more requisite. This will be the case more particularly in great manufacturing countries, because there the division of labour is carried to the greatest extent; it being always necessary for every laborer in a great agricultural or manufacturing community, to exchange his labour, *not in barter*, for the materials of food and clothing, but for *money* wages. The increased demand for a circulating medium thus created, is, however, materially counteracted by the rapidity with which money circulates in an advancing state of society. The great secret in the application of money to the acquiring of wealth, is rapid circulation; and its great use is in quickly passing from hand to hand; every operation, every transfer, is presumed to bring a profit, and consequently, the greater the number of transfers, the greater the aggregate of profits. By this rapidity of circulation, a piece of money performs a greater number of exchanges than it previously did,—the money passes quicker from one hand to another, and it is thus enabled to perform twice or thrice the extent of business it would do under other circumstances.

In a country where the great mass of the country population lived on the produce of the farms, which they received in exchange for their labour, or where the farmers were enabled to cultivate their lands by the labour of slaves their own property, and were in the habits of purchasing in wholesale, such foreign manufactures as they required; in short, where a farmer is his own butcher, baker, taylor, &c. or, what is the same thing, had slaves qualified to do the business for him, there could not possibly be any demand for a large circulating medium. His taylor, baker, butcher, ploughmen, and all his labourers, being his own property, are repaid in the produce they consume,—not with the commodity, *money;* and, without a very great change in the habits of the people, and the productive operations of labour (a change which cannot be brought about in 2 or 3 or even 15 years, as has been asserted), there cannot possibly have been any necessity for an inordinate addition of 50 per cent. to a currency already exceeding the wants of the colony. I have judged it proper thus to notice briefly, at the outset, the peculiar circumstances of society, which create a demand for a circulating medium, because it has been asserted by those who contend that the currency is not depreciated, that the addition of one million of Rix-dollars in 1810 and 14, to a currency more than adequate to perform with facility all the business of circulation, was required for the increased demands of trade, commerce, and population; while in fact there had been no relative increase of trade, and there was no sensible augmentation of the population till long after the enormous issue of paper money.—The opponents of depreciation at one time assert, that the increased population has originated a demand for an additional currency; while on the other hand, when they wish to show an inordinate increase of imports since the departure of the garrison, they absurdly contend that the increase of population and consumption was not so great as to compensate for the loss of the garrison. To this subject however, I shall again recur, and shall only remark that we have no grounds for supposing that the habits and modes of life of the great body of the people in the interior, have undergone any essential alteration. The habits, customs, and modes of transacting business among the country people continue much the same as they were in 1806; and in all events, it would be difficult to show any such material change as to create a demand in the course of four years for an addition of 50 per cent. to a currency universally acknowledged at the time to have far exceeded the wants of circulation.

Before proceeding any farther, it may not be improper to state some particulars connected with the more recent creations of paper Rix-dollars in 1810 and 14. A more detailed statement will be found in another Section. In 1793 the colony sustained great inconvenience from the want of a circulating medium, which at that time did not exceed 200,000 Rix-dollars. With the view of relieving the public distress, the Lombard Bank was instituted with a capital of 680,000 Rix-dollars. At the same time it was declared that *one million* was perfectly adequate for the circulation. In 1795 the Rix-dollars in circulation, including the capital of the bank, amounted to 1,291,276 Rix-dollars, and after the capture of the colony in the same year, the Rix-dollar was in such credit that General Craig could not obtain a sum required for the extraordinaries of the army, though he offered the Bills at par, that is, at 4 shillings per Rix-dollar, the value at which they passed in circulation. He was therefore obliged to create 250,000 Rix-dollars in currency, as has elsewhere been stated. The necessities of the Dutch Government compelled it to add still further to the currency, and when the colony came into our possession in January, 1806, the paper currency in circulation amounted to no less than 2,083,376 Rix-dollars, though *only ten years* before one-half of this sum had been declared, by very competent judges, the Dutch Commissaries (who would naturally feel disposed to extend its amount beyond the effective demand), to be perfectly adequate for all the purposes of a circulating medium; and in the interval no apparent increase of trade nor any sensible augmentation to the population had taken place. However such was the credit of the Rix-dollar for the three or four years following the capture of the colony, that it continued to pass current at nearly its declared value of 5⅓ Rix-dollars per Guinea and 1¼ Rix-dollar for a Spanish dollar. Between the years of 1810 and 15, additional issue of paper money were made, exceeding 1,000,000 Rix-dollars, making a total of 3,168,580 Rds. in circulation. After this latter period the exchange with England advanced rapidly from 20 to 30 per cent. to 80 and 100. During the four years which preceded the first issue of paper money in 1810, the exchange with England varied from 15 to 25 per cent. During this period there appears to have been a very considerable quantity of Spanish dollars in the colony, as is evident from advertisements offering paper Rix-dollars for sums of Spanish dollars frequently exceeding 50,000. Specie to a considerable amount was also imported from England for the payment of the troops, and there is little reason to doubt, that a considerable portion of the paper curency must have become utterly useless for the purposes of circulation, and from this circumstance alone it must have depreciated in relation to its original value.—In reference to this statement the following remarks suggest themselves:

There can be no doubt that the creation of a paper money, with a forced circulation, similar to that which is stated by Mr. Trotter to have existed in America, and which now exists here, necessarily occasions the disappearance of metallic currency; for as it is made to pass at par with the paper, it naturally seeks a market where it can find its true level of value. The paper money being thus left in the exclusive possession of the business of circulation, the necessity of possessing some agent, or medium of transfer, will operate to maintain its value, so long as it does not exceed the value of the gold and silver that would be necessary for the purpose of circulation. On this subject, however, Mr. Trotter differs from Adam Smith, and indeed seems to misunderstand that illustrious writer. As far as my memory serves me, Mr. Trotter thinks Adam Smith is wrong in concluding that the *quantity* of paper money in circulation can never exceed that of the precious metals, of which it supplies the place. But Adam Smith does not speak of *quantity,* but of *value.* He says, that "the whole paper money of every kind that can circulate in any country, can never exceed the *value* of the gold and silver, of which it supplies the place." Adam Smith, in this instance, is quite correct.

A certain *value* in gold and silver, suppose (1,000,000) one million of Spanish dollars is requisite for the purpose of circulation. Now, if the specie be withdrawn from the circulation, and replaced by (1,000,000) one million Bank notes, these will pass at the same *value* as the specie which they substituted; but no increase of quantity can add to their value. If 100,000 Bank notes be added, the value of the whole will be diminished 1-10th, so that the 1,100,000 shall be of no more value than the 1,000,000 which supplied the place of the specie. In short, nothing but *additional demand* can give additional *value* to the circulating medium. It appears then, that whatever number of Spanish dollars be requisite for the purpose of a circulating medium, if these be withdrawn and replaced by an equal number of Bank notes issued to represent Spanish dollars, they will pass in circulation at the same value. But as soon as there is any excess occasioned by an additional number of dollars thrown into the circulation, the value of each will diminish, but the aggregate value of the whole remain precisely the same.

Mr. Trotter, it is true, quotes some facts from Dr. Franklin, referring to the States of Pensylvania and New York; but besides that, these facts may be explained on other principles than those assumed by Mr. Trotter: all that appears from Franklin is, that the balance of trade drove the metallic currency out of the colonies, and recourse was had to paper money, which *exceeded in value* the metallic currency that had previously been in circulation. This is not disputed, but we are told by the same author, that the specie was never equal to the wants of the circulation. Adam Smith means that the value of the paper can never exceed the value of the specie *which would be sufficient under the same circumstances to perform the business of circulation.*

I do not think, however, that any discussion about the state of the currency in New York, or elsewhere, can throw much light on the present state of the Colonial Currency, and if it could, the limits of this essay forbid any lengthened speculative discussions, which, to say the least of them, cannot be considered conclusive one way or the other, and on which men of varied and exalted talents differ widely.

At the time the last issue of one million of paper Rix-dollars took place, it is not disputed that the amount of Rix-dollars in circulation was perfectly adequate to the business of internal circulation. In this case, the amount previously in circulation being two millions, (and at this time the paper was depreciated 20 per cent.) the addition of one million could not fail to overload the market. The additional quantity thus forced into circulation, would not remain useless in the hands of those who possessed it,—it would circulate, and in making its way into circulation, it would lose at least 1-3d of its value; so that the three millions of dollars in the one case, was worth no more than two millions in the former instance. In both cases, the value of the currency will depend on the business which it has to perform. The same principle applies to a metallic and paper currency, and if either be multiplied beyond the demands of trade, the excess will occasion a fall in value. But there is this important advantage in a metallic currency, that the quantity in circulation can never greatly exceed the quantity required for a circulating medium,—when there is any excess, it will, like any other commodity, find its way into foreign countries, and purchase the materials of production, and thus add to the wealth of the colony; but with an inconvertible paper money, such as is current in this Colony, there is no relief from the pernicious effects of a forced issue to aid the necessities of the State. It has no value beyond the limits of the colony, and cannot be made a source of wealth. If the paper money were convertible into specie, at the will of the holder, it could sustain no depreciation in value, either from *excess* or *discredit;* because, in case of over-issue, the quantity in excess would be returned for payment in specie. By limiting the quantity in circulation, the government of it had the means, and if it could exclude a metallic currency, might raise the value of the paper Rix-dollar 100 or 200 per cent. in reference to its *existing* value in exchange; and on the other hand, if such an emergency should arise as to render necessary an additional issue of 1,000,000 dollars to the quantity already in circulation, there cannot be a doubt that the currency would be still more depreciated than it is; and the effects of this additional issue would, in THE FIRST INSTANCE, shew itself by A RISE in the PRICE of gold and silver, both in bullion and coin, and a *simultaneous rise* in the *Exchange* with England. In point of fact, there can be no good grounds for withdrawing one million of paper from circulation, except for the purpose of *restoring* its value. If when the last additional issue of one million was made, this increased quantity was absolutely necessary to meet an increased trade, increased circulation, and increased number of exchanges, then the measure was perfectly justifiable and proper. But it is evident, that the issue of currency was not made with any such view; it was made to meet the urgent necessities of the Government. The paper thus issued was exchanged for commodities, or in payment of the wages of labor, by the Government; it thus formed an addition to the mass of currency which had no need of it. The currency previously in circulation must have accommodated itself to the business it had to perform; or if the demand for an augmentation of the circulating medium had increased, the value of the quantity in circulation would have increased in the same proportion. If the quantity of exchangeable produce increases, while the quantity of currency remains unaltered, it is the same thing as if the quantity of the circulating medium had been diminished, the currency would then rise in exchangeable value; that is, prices would fall, and a greater quantity of produce would be exchanged for a diminished number of Rix-dollars. If there be any increase in the rapidity of circulation, by which I mean the number of purchases made in a given time, the effects will be similar to an increase in the quantity of money; that is, the effects will be the same as if the quantity of produce had diminished, and the quantity of the currency remained unaltered.*—That the annual produce of the colony since 1800 has been greatly augmented none will dispute, but, on the other hand, it is equally certain that the rapidity of circulation has been greatly augmented, consequently the same increase in the quantity of the currency is not necessary to perform the business of circulation.

By the issue of an additional million to meet the necessities of the Government, it is obvious that more notes must go to perform the same business that was done by the currency before its augmentation. For on the former supposition, two millions of currency was perfectly adequate for all the business of circulation, for a produce valued at ten

* *Vide* Mill on Paper Currency.

(10) millions or five times the value of the circulating medium. Now the amount of circulating products continuing the same, there would be a currency of three (3) millions to circulate the same quantity of goods that was previously circulated by 2 millions; for the same quantity of produce that was formerly valued at five (5) times the value of the circulating medium would now (from the additional issue) be worth 15 millions. In other words, *prices would rise,* and the produce formerly obtained for 10 dollars could not be obtained now under 15. The currency thus increased from 2 to 3 millions, is not on this account of greater value, the aggregate value of a currency being fixed by the business it has to perform; if there be no increase of business there will be no increase of value, in which case an addition being made to the notes in circulation each note falls proportionably in value.

Mr. Buchannan justly observes, that "the effects of an excessive issue of paper *is not to encumber* the circulation; for though the number of notes be increased, the aggregate value is still the same, and the only difference is that by the excessive multiplication of notes the currency is now divided into a great number of parts, each being of course of *less value than before.* In this manner the depreciation of the note is the only permanent inconvenience produced by the excessive issue."

It appears that the paper currency of the colony in 1789, was so small as 100,000 dollars, and in 1795 it amounted to nearly 1,300,000. It cannot be doubted, however, that in the former period the metallic currency in different European coins was by no means inconsiderable, and there seems little reason to doubt that after the latter period the silver and gold coin was driven out of the market, and that the circulating medium consisted entirely of paper.

The necessities of the Dutch Colonial Government, and the difficulties under which it laboured, in consequence of the war with England, induced it to adopt every means, however unprincipled, to supply its necessities; and we are fully justified in affiming, that it would not limit its issues of paper to the extent of actual demand for a circulating medium, but would rather force the currency to the utmost practical extent consistent with its own safety, and to any limit, short of absolute insolvency.

From these considerations, independent of the facts which shall be stated in the sequel, there is no room to doubt that in 1806 the paper currency in circulation was more than adequate to the business it had to perform and the subsequent increase of trade and business resulting from the connexion of the colony with Great Britain, would only have restored the currency to its former value.

In speaking of the increase to the currency required in order to meet the increased demand of trade and internal circulation, it should be observed, that a demand for additional currency does not necessarily arise from an increased foreign trade. If the state of society in the colony be such as to prevent the subdivision of labour, and limit the variety of individual consumption, the extension of the foreign trade will by no means create a scarcity of circulating medium, for "the utility of money as a medium of exchange or of circulation, is intense in the compound ratio of the *division of labour* and the variety of individual consumption," and in an advanced stage of civilization, when individual wants have become various and numerous, and *productive operations* very much *subdivided*, exchanges become a matter of more urgent necessity, as also much more frequent and complicated. A sugar colony (observes Mr. Prinsep) in the West Indies, though highly productive, in proportion to its population, requires *little* money to facilitate the transfer of the produce, because the bulk of the population, the slaves and labourers, have very little variety of consumption;—they are fed and clothed in the wholesale, and in the plainest and most uniform manner." These observations appear to apply very nearly to the circumstances of this colony. It is certain, that among the residents in the interior, who compose four-fifths of the population, there is but little variety of consumption; every farmer supplying food from his own farm for his family and his slaves; and he purchases clothing for them in the wholesale. The machinery and implements of agriculture they use are very simple, and are often made on the farm by the farmers themselves, or purchased in wholesale. Under such circumstances it is obvious that but a small quantity of money is required for the purpose of internal circulation. The objects of exchange then, in the interior, were comparatively few, and the demand for a medium of exchange or currency must have been proportionably small.

That the circumstances of the colonial population, have been very much improved since the transfer of the colony to British sovereignty, is a fact which will hardly be questioned; and to men of sound judgment and observation, the great changes which have taken place among the agricultural and labouring population, in respect to superior comforts, and a greater command over the comforts and necessaries, and even the luxuries of life, cannot but be obvious. Nevertheless, a slight consideration of the existing habits of the people, will, I think, satisfy the reader that no such changes have taken place, in the system of interchange as to require any additional issue of currency to meet an increased trade.

The author of "the State of the Cape in 1822," speaking of the way in which the boers transact their business, observes, that "to the internal commerce of the Cape there are many obstructions presented by nature, in consequence of which the whole trade amounts to little more than what the boers can bring in their horse-waggon, and which carries the means of purchasing clothing and such comforts, as the sale of their cargo may enable them to obtain. The boer having proceeded in his waggon and begun his business in the Cape, adjourns to the vicinity of Hottentot-square; from his agent there he gets iron for his waggon, cloth, linen, tea, sugar, coffee, rice, &c. &c. sufficient for himself, his family, and his slaves, until the next visit. His demands are regulated according to the value of his grain, wine, butter, soap, or tobacco, and an unproductive harvest is no less a source of regret to the boers than to the dealers." In such wholesale transactions it must be obvious there can be but little demand for a medium of exchange, and the great mass of interchanges being effected in the same manner, and *in Cape Town,* there must, consequently, be less necessity for an extensive and disproportionate currency.

It must be evident then, that, notwithstanding the increase in the trade and commerce of the colony, it was not of such a nature as to furnish any additional business for an augmented currency. And from the way in which the purchases have generally been made, as well as from the improvements in the arts of exchange and transfer by cash accounts between buyer and seller, thereby economizing the use of the paper currency, there is little reason to doubt that the currency as it stood in 1806, would have been more than adequate for all the purposes of internal circulation.

Although therefore it be true, generally, that as countries advance in wealth and riches, an additional currency becomes necessary, in order to meet the demands of increased internal trade, and to prevent a fall of prices, the argument obviously does not apply in the present instance, because, besides the causes already mentioned arising from the peculiar circumstances of the colony and the structure of society, there are many other circumstances which tend to counteract the demand for a circulating medium, arising from improved modes and additional facilities of transacting business.

Most of the commercial business of the colony is transacted in the metropolis, and the greater portion of the purchases by persons in the interior, being in wholesale, and in exchange for the produce which they carry to market (and in a great many instances the sales and purchases are made by the same individuals) there is obviously less necessity for a circulating medium. In all events there is no necessity for any increase proportionate to the increase in the annual produce. Moreover, in proportion to the increased traffic and increased number of exchanges, there is an increased rapidity of circulation. Money circulates more quickly, it passes more readily from hand to hand, comes round again sooner to the same payer, and a less quantity of currency is thus sufficient to carry on the usual number of transactions.

Further, the progressive advance of the colony in wealth and population, between the years 1810 and 1820, was so obvious, that individuals of respectability had no difficulty in making extensive purchases on credit, and thus "confidence and credit became ubstitutes for currency," and contributed in a considerable degree to lessen the demand for circulating medium; and in the same manner book and circulating credit conspired directly towards the same result.

Mr. Baring somewhere observes, that "the consciousness of being able to procure money is equivalent often to the actual possession; and that upon this consciousness, transactions of great magnitude are carried on without a circulating medium, and thus any man of fair character and prospects is an equal competitor with the actual possessor of money; and that as they are generally more sanguine in their dealings, and have really less at stake, the competition thus engendered is often more intense, than if it lay between an equal number of real capitalists."

This facility of obtaining credit without the intermediate agent of a circulating medium, must, probably, have superseded its use to such an extent, that a million and a half instead of 3 millions would have been perfectly sufficient for all the purposes of circulation.

That the facility of obtaining credit without possessing capital or assets of any description, is one main cause of the losses which the colony has sustained, and of the difficulties under which it now labours, there can be but one opinion. To such an unstable system "there must necessarily have been a limit, either in the re-call of that credit which had not sufficient basis, or in the perpetration by law of that reduced value of money, which in *its origin* was optional, and thus making the *old* proprietor of money suffer to uphold the sanguine speculations of others, in whose dealings he had no share."

Having thus enumerated some of the causes which appear to have operated in a very conspicuous manner, to counteract the demand for an increased circulating medium, to meet the purposes of increased traffic and wealth, I shall in the subsequent sections exhibit a more detailed view, of the nature and extent of this increase, and hope to prove that, even if none of the circumstances already pointed out, tended to lessen the demand for currency arising from an augmented commerce, this augmentation was by no means so great or of such a nature as to demand an increase of paper money to the extent of one million, an addition to the former currency of 50 per cent.

Indeed, one single fact may in the opinion of many individuals, be decisive of this question.—The *value* of the circulating medium always bears a certain *proportion* to the value of the whole circulating produce.

In 1806-10, the Rix-dollars in circulation amounted to 2,100,000, at which period the Spanish dollar was equivalent in value to one and four-eighths Rix-dollar. The value of the circulating medium,—of the instrument of exchange, was therefore equal to the value of 1,400,000 Spanish dollars.—At present the Rix-dollars in circulation amount to 3,100,000; and on an average of the last 2 or 3 years, the Spanish dollars equal in circulation to two and five-eighths Rix-dollars,—consequently the existing circulating medium, is equivalent in value to *no more* than 1,100,000 Spanish Dollars.—From this result it appears, that, the demand for circulating medium has *actually* diminished by more than 20 per cent.—This result satisfactorily proves, the accuracy of the principles developed in this section, in regard to the many circumstances which in an advancing state of society, tend to counteract the demand for an increase of the medium of exchange, originating in increased rapidity of circulation and the various methods which are suggested by experience, and always adopted in *practice*, to *economize* the uses of the circulating medium.—However, if the amount of the annual exchanges does not exceed nine million (9,000,000) of Rix-dollars, or about 3,400,000 Spanish dollars, as has been stated on the best authority, the value of the circulating medium would be about one-third of the value of the circulating produce.

Further, if we suppose that the circulating produce of the colony has increased one-third since 1806-10, (the population having increased nearly 50 per cent. since that period) then 3,400,000 Spanish dollars being the present value of these products, we shall have (3,400,000 minus 1-4th)—2,550,000 Spanish dollars to indicate the value of exchangeable products in 1806-10.—To circulate this value, according to the deductions of the *unbelievers* in depreciation, a real value, equivalent to 1,400,000 Spanish dollars, was absolutely necessary ! ! *

I shall hereafter state reasons for concluding that previous to 1814, the *real* exchange was greatly *in favor* of the colony, while owing to the depreciation of the currency, it was *nominally* 60 per cent. *against* the colony.

Before concluding this section it will not be amiss to notice, briefly, some erroneous inferences, which have been adduced, in reference to the advantages and superiority of a paper over a metallic currency.

The economy of using paper money in place of gold and silver, must appear evident when it is considered, that, gold and silver are articles of merchandize, and that they can be obtained only in exchange for some portion of the produce and capital of the colony.—The money received in exchange for these commodities, is unproductive, and yields no annual return.—The produce with which the money is bought, is the price paid by the community for the use of a medium of transfer.—The public loses the interest of this capital, consequently the cost of the commodity money, cannot possibly enter into the price of other commodities,—if it did, the community could sustain no diminution of its real revenue.—But money makes no part of the real revenue of society.—The revenue of society, consists of commodities and products,

* Read the last sentence in page 3.

and *not*, in the wheel that circulates them.* The real revenue of the society is not equal to all the money *plus* all the goods which circulate; as would be the case if it were true that, the *cost* of a metallic currency affected the relative prices of commodities. If this indeed were the case, (and Mr. Cohen has been quoted under a misapprehension to prove it), it would require a greater nominal value of paper money to substitute a given value of metallic currency, and consequently prices would *rise*.

Again, it is contended by the opponents of depreciation, that the effect of introducing a paper currency into the States of Pensylvania and New York, was highly beneficial, that capital and population augmented rapidly, and the exports increased ten fold.

It is impossible to conceive how such prodigious effects could have been produced by a paper currency. The precious metals are originally purchased with the produce of the country, and in countries little advanced in civilization and commercial intercourse, the value of the gold and silver coin bears a very considerable proportion to the value of the annual produce. When the coin required for circulation amounts in value to 1-3d or 1-10th of the value of the annual produce, the substitution of a paper money could be advantageous only so far as it withdrew the metallic medium of exchange from that employment, and converted it into the materials of production, that is into food for the labourer, machinery, &c.

It is equally difficult to understand how "the augmented trade which followed the introduction of paper money into these States, subsequent to 1764, *proves* that increased demand was *propagated*, and that a larger amount of paper did circulate than would have been the case, had the currency been confined to the precious metals." That a large amount did circulate is not disputed, but if by amount is meant value, the conclusion is erroneous, as I have already shewn.

As has already been stated the only immediate advantage resulting from a paper currency is, that it replaces a very expensive instrument of commerce with one less costly. Suppose the circulating money of a country to amount to one million Spanish dollars, that sum being sufficient for circulating the whole annual produce of its land and labor. If then bankers issued notes to the extent of one

* Adam Smith, vol. i. p. 435.

million, reserving 200,000 dollars in their coffers to answer occasional demands, there would remain in circulation 1,800,000 dollars of paper and money together: but one million dollars is sufficient to circulate the annual produce of the land and labor. The other 800,000 being the sum over and above what can be employed in the circulation of the country, will seek profitable employment abroad; but the *paper* cannot go abroad. Gold and silver, therefore, to the amount of 800,000 dollars will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of metal, which filled it before. The quantity of money sent abroad will be exchanged for foreign goods, to supply the consumption either of some other foreign country or their own.

In the former case, whatever profit is made, will be an addition to the neat revenue of their own country. If they employ it in purchasing foreign goods for home consumption, they may either (1) purchase such goods as will be consumed by idle people, who produce nothing; as foreign wines, silks, &c.: or (2) they may purchase materials, provisions, &c. to employ and maintain an additional number of industrious people.*

Thus when paper is substituted in the room of gold and silver, the quantity of materials, tools, and maintenance, which a circulating capital can supply, may be increased by the whole value of the gold and silver, which used to be employed in purchasing them; and the value of the instrument of circulation be added to the value of the goods.

But these advantages could only result, under the supposition that the paper currency had replaced a considerable value in the precious metals. That this was not the case with the States referred to, is sufficiently evident from the admitted fact, that before the issue of paper money, there was hardly any metallic currency to substitute, and the paper was issued *not to substitute* a metallic currency, but to *create* a medium of internal circulation.

With reference to this Colony, the superior utility of paper money is so great, that, when well regulated and limited to the actual demand of circulation, there is little chance of its being superseded by the metals. But it is impossible that the enormous issue of paper money, in this Colony, could have communicated any advantages whatsoever, as is insinuated by those who attempt to trace an analogy between

* Wealth of Nations, book ii. chap. ii.

the States of America and this Colony. Excepting 50 to 100,000 Spanish dollars, there was no currency to substitute; and as is stated elsewhere, in 1793 there was only 200,000 Rix-dollars in metallic currency in circulation. The expulsion of so small a sum from the circulation could not contribute in any considerable degree to augment the capital of the Colony. If the *existing* paper currency had *replaced* a metallic currency of *equal value*, the result would have been far different; but as this was not the case, it is absurd to conclude, that the *creation* (*not substitution*) of paper money, added to the wealth of the Colony. But even the *substitution* of paper money does not always add to the capital of the Colony, the value of the metal which it replaces. If the Government should withdraw (or rather force, as the Dutch Government did) the metallic currency into its own coffers, and substitute a paper of equivalent value, the Colony could certainly gain nothing from such a procedure. The consumption of governments being generally unproductive, there would in this case be a loss of capital equal to the value of the whole circulating medium that might be withdrawn.

The present Section embraces many questions purely *speculative;* but it is necessary at every step of the inquiry to appeal to the established principles of Political Economy: because, without constant reference to the principles which regulate and determine the value and distribution of a circulating medium, it is impossible to have a clear and distinct perception of the nature of the question at issue between the opponents and advocates of depreciation. It is vain to state facts or principles without shewing both the analogy of the one and the *applicability* of the other. It would be still more futile to build quotation upon quotation, without shewing any analogy of circumstances in the facts adduced We have therefore avoided multiplying quotations from Authors who have written on Finance; but when it has been judged proper to state the principles which we recognise, we have generally adopted the language of such Authors, indiscriminately, without particular reference, Some men there are, indeed, inveterately hostile to what they denominate theory. These men have *facts and practical knowledge* constantly in their mouths; but they are of all others the most dangerous theorists;—and they are so completely gummed up, and bewildered by a jumble of incongruous and unconnected ideas, which they can neither comprehend themselves, nor render intelligible to others, that it would be folly to argue with such persons. They have a holy horror against "theory and principles," solely because they are either too indolent to learn, or too stupid to comprehend them.

It is the more necessary to make these remarks, as there are individuals who think that the value of a currency is regulated by the state of the foreign trade:—who confound depreciation with a *real* premium on *Bills of Exchange;* and who cannot be made to understand, that the value of the medium of circulation is regulated entirely by the business of *internal circulation,*—and that the abundance or scarcity of bills has no influence whatever in diminishing the business of circulation, and *consequently* cannot diminish the value of the material which performs that office.

SECTION II.

It is of importance at the outset of this discussion, to distinctly recognize the essential difference between a *real* rise in the exchange, occasioned by a debt to a Foreign Country, and a *nominal* rise above par, originating from a currency depreciated below the standard value at which it was originally issued. In the subsequent section this question will be discussed fully; but I think it proper to advert to the subject thus early, as both Mr. Trotter, and some of those with whom he is at issue, do not appear to have adverted specifically to this distinction. The former, in particular, denies *in toto* all connexion between the Currency and the state of the Foreign Exchanges, which, according to his view of the subject, can have no influence on one another. I may, perhaps, on a future occasion, examine more particularly into the justness and accuracy of Mr. Trotter's sentiments generally; and in the mean time I beg to observe, that a currency that is depreciated from whatever causes, or fallen below the value it was issued to represent, though it may have no *direct* and immediate influence on the *real* course of exchange, does nevertheless, by its indirect operation on the circulation of the country, contribute in a most powerful and conspicuous manner, to affect the course of exchange with foreign countries. The authority of such a writer as Mr. Ricardo, must be decisive on this point, though he does not enter into any explanatory details respecting the *modus operandi* by which the one influences the other. His general observations on the subject, may, however, be applied *mutatis mutandis* to the Colonial Currency;—and I again repeat, that a currency continually ascending in the scale of depreciation, and departing further and further from the value it originally possessed, must necessarily affect Foreign Exchanges, inasmuch as the ordinary criterion of what constitutes the limit of the demand

and supply of bills, is no longer ascertainable on the principles which regulate an exchange determined by competition;—independent of the material and simultaneous effects of such uncertainties and fluctuations in increasing the prices of commodities, in order to meet an enhanced premium, the influence of which I shall hereafter more particularly explain.

Wherever the current of money is prevented from settling at its just level, there is no limit to the possible variations of exchange. If the circulating medium in 1810 was inadequate to the purpose of circulating the exchangeable portion of the annual produce, it would have risen in value, and performed with the same facility an increased number of exchanges; and that an addition had not become necessary to facilitate the internal commerce and exchanges, is sufficiently evident from the fact, that between 1806 and 1810 the prices of all commodities, without exception, continued at uniform averages. The issues of paper money were made for the purpose of supplying the necessities of the Government;—and not the most remote allusion was made to the wants and demands of trade, by the issuers; and it was not till 1810 that Lord Caledon ventured to hint that "the growing commerce and augmented population of the Colony, required an addition to the circulation to assist the industry of the inhabitants." Yet this Governor's successors declared, that "on the most mature consideration it was imperatively necessary to *withdraw* the additional creations from the circulation;" they declared that "the paper added to the circulation (in Mr. Trotter's opinion required for the increased demands of trade), *ought to be withdrawn* from circulation as soon as possible, and that to fulfil the *intentions* and *resolutions* of the *former* Governments who issued the money, and to observe with the most *scrupulous faith* all provisions respecting the paper currency, all instalments should be destroyed until the *whole* was expunged from circulation." It is clear then, that "the demands of trade" could have formed none of the real grounds *originally assigned* for adding to the currency. If it was required for this purpose, that would have been a good reason for continuing it in circulation, and it would have been a clear gain to the Government, as well as to the community. But so far from its being supposed necessary to supply a deficient circulating medium, the Government constantly evinced the utmost anxiety to withdraw it, a measure from which it is presumed *necessity only*, and not choice, precluded them.

Mr. Trotter seems to think that if there was any depreciation in 1806, and he does not absolutely deny that there was, it probably originated from causes which existed anterior to the capture of the Colony. Now, admitting this to have been the case, we should naturally conclude, that the increased demand for a circulating medium, originating from increased population and increased production, would have restored the currency then in circulation to its original value; in which case, the increased demand for currency would have been indicated by a fall of prices, or, which is the same thing, by a rise in the exchangeable value of the paper Rix-dollar.

There were, however, no circumstances of this nature, indicative of an increased demand for a circulating medium; and as is elsewhere observed, this assertion is sufficiently disproved by the fact, that of the 2,000,000 of Rix-dollars then employed in the Colony, nearly one-half was engrossed by the Bank.

The assumption, therefore, of an addition of 50 per Cent. to the circulating medium of the country being required, to meet the demands of the community, at a time when there was no increase of internal commerce, to any considerable extent, nor of the population, in any degree proportioned to such an enormous issue, is altogether gratuitous, and without foundation.

The increase of effective population did not commence till 1816; and as has elsewhere been shewn, under the peculiar circumstances of the Colony, the internal circulation was not of such a nature as to require any such increase to the circulating medium.

The truth is, that had the paper money been inadequate to the purposes of circulation, it would have risen in value so much, as not only to perform an increased number of exchanges, but perhaps to encourage the *influx* of precious metals. But being issued to an extent beyond the wants of the Colony, and being then about half the value of the circulating produce of the Colony, it necessarily drove the little metallic currency there was out of the Colony, in the shape of exports, either in the form of capital or of remittances; and by diminishing in value, compared to gold or silver, it necessarily affected the premium on remittances. For when a paper currency, not convertible at the will of the holder, into specie, is forced into circulation, it is necessarily confined to the country where it is issued; it cannot, when too abundant, diffuse itself generally among other countries. Hence under a paper currency balances may for a time accrue, because it cannot be remitted in payment, and when in an excess beyond the wants of circulation, it becomes the means of *forcing* an enhanced premium on bills, inasmuch as it *adds* to the funds for *purchasing*, without increasing the number of, bills in the market. But no considerable or permanent balance can take place when the currency is metallic, any more than if it were paper,—because it would rise in value as it became scarce, and a smaller quantity of it would purchase bills. But when the level of circulation is disturbed by a *forced issue* of paper money, the exchange will inevitably be unfavourable, and so also would be the effects of a metallic circulation, if by forcible means, by internal regulations, money should be detained in a country, when the stream of trade gives it an *impetus* towards other countries.*

The assertion, indeed, that the currency in circulation in 1810 was insufficient for the purpose, is disproved by the fact already noticed, that the Lombard Bank engrossed at least one-half of it. If it had been inadequate to the wants and demands of commerce, its consequent rise of value would have liberated some portion of it; the Bank would then have derived a profit from issuing such quantities of it as might have been demanded, either for the wants of the circulation, or to be employed as capital in the productive departments of commerce and agriculture.

The whole paper money issued was in effect a value abstracted from the pockets of the people. The labor and property of the community was given in exchange for it, without any equivalent whatever. It was not an *absolute* loss to the Colony, it operated like a tax on property, and it put into the pockets of a few what belonged to others. If such an issue really added to the wealth of the Colony, as is insinuated by the opponents of depreciation; or even if it did not injure some individuals, then there is no reason why the experiment might not again be repeated.

To render paper money really useful, it should not exceed the real demands of the Colony for a medium of circulation, and the issuers should always be ready to give value for it, either in other mediums of circulation, or in the funds

* Ricardo on Foreign Trade, chap. vii.

for which they were originally issued. But the paper money issued in this Colony, was *forced* upon the people; they were obliged to take it; it was given for debts already, or about to be, contracted, which the issuers had no other mode of liquidating. It was not a simple contract between *two* independent individuals: the community were not *voluntary* creditors: the latter did not say, if you mortgage certain buildings, we will consent to receive your promissory notes in exchange, for our corn, our cloth, and other funds, for the maintenance of labor, and for the payment of the capital advanced for the buildings and other projects in contemplation. As far as the Government is concerned, the issue of paper to a certain extent is precisely the same in effect as if the funds had been borrowed, with this important difference, however, as respects the interests of the public, that in the case of a loan, the capital advanced yields the ordinary interest, and is not lost to the community. The debt may be of real benefit to the country at large; but only in a wealthy country, where there is abundance of capital, for which it may be difficult to find profitable employment.

When a Government borrows capital to lay it out in improvements within the country, such as canals or public buildings, such debt may be of great benefit, because the value remains in it, and may add to its wealth and prosperity in a double ratio. The *lenders*, moreover, receive *interest* on the capital they have advanced, and the circulating medium instead of being depressed by such a transaction, is enhanced in value, while the increased rapidity of circulation growing out of the impetus given to the active employment of capital and labor, gives to it increased efficacy as the medium of exchange. These facts are so perfectly accordant with all the just and recognized principles which constitute the basis of financial and commercial science, that to enter into any detailed analysis in order to exhibit them in the most forcible and demonstrative point of view, seems altogether unnecessary;—besides that it does not enter into the scope of a limited essay like the present. Governments destitute of funds, as was the case with the Americans when they threw off the English yoke, generally have recourse to borrowing,—one mode of which has been the issuing of paper money payable at some remote or distant period, which paper their subjects are compelled to take in payment of the goods the Government may require.

In this case, the paper is not issued to supply the deficiency of a circulating medium, but to supply the want of funds. "They do not study the need the people of the country may have for a medium, but the need they themselves may have of a substitute for money; and in proportion to that need is paper money forced upon the country." When the balance of payments is against a country, the specie will be exported, and when the quantity of paper issued is no more than sufficient to supply the place of the coin, it will pass at the full value it is issued for. As soon, however, as it exceeds this quantity, it will fall in value, and continue to depreciate according to its excess. So long as paper continues to pass in circulation for the same value at which it was issued, it will be of as great value as the coin or bullion in circulation. Hence, when the balance of payments turns against a country, and consequently bills of exchange become in demand, and increase in value, then resource is had to bullion, which, *when the paper is not depreciated*, will be had in exchange for paper at a premium in favor of bullion, *not greatly exceeding the cost of transit.* But if the paper be depreciated from over-issue, there is no limit to its influence on the exchange, both directly and indirectly. This will always be the case when those who issue the paper do not retain an equivalent. Though the Government receive value for the paper they issue, it does not remain with them; it is "consumable value," such as stores, buildings, clothing for their army, &c. &c. and but a very small portion remains, and that only for a short time, and entirely unproductive. The paper therefore will continue to exist, without representing any real value; it will be more or less depreciated according to its excess and to the *prospect more near or more distant,* of its being discharged by some *future funds* to be appropriated to that purpose; or if there be any value such as BUILDINGS, LANDS, &c. ORIGINALLY MORTGAGED FOR ITS REDEMPTION, it will be more or less depreciated according to the *probability* of these funds being disposed of for the redemption of the notes, and the probability of the property thus mortgaged being *adequate* to redeem the paper money, at its *original* value.*

In comparing the circumstances of the Colony with those of the American Colonies, Mr. Trotter appears to have been entirely misled by the partial accounts of Dr. Franklin, in

* Principles of Political Economy, by T. Smith, 1821. Page 40.

regard to the nature of the paper money circulated in the colonies. He will not allow that the paper money of the States was depreciated, though he acknowledges that a difference soon arose between the paper and silver—the latter having a property which the *former had not,*—namely, that of its being fit for remittances. But in certain circumstances this is one main cause of depreciation. Suppose a million of metallic currency to be withdrawn, and replaced by a million of paper money : if I wish to make a remittance, I may do it by a bill purchased at par, or by remitting the amount in specie, and the premium will not exceed the cost of transporting the bullion ; but all the bullion being withdrawn, I cannot remit the amount in that commodity. The paper is useless as a remittance, nor will it purchase specie at the value it originally represented : it will not answer the purpose of the specie it replaced, and being depreciated, it is clear that the exchange must rise to a very considerable amount, while, *if it had not been depreciated,* it would have purchased bullion for exportation, and would have been of the same, or very nearly the same value as the specie it represented.

Mr. Trotter conceives that the paper issued by the States of New York, Pensylvania, &c. &c. was "not depreciated," though he elsewhere states, that "the Government was able to reduce great part of the debt with one-tenth of the value originally borrowed," a fact not very consistent with the doctrine of non-depreciation ;* and he further conceives, that the premium on the exchange, was equivalent to a real depression below par, arising from the adverse balance of payments. The facts, however, are as follows :—

In the middle of the last century, the Settlers in America having experienced that want of capital and circulating medium, incident to all new colonies, the Governments of the different States were induced to give them assistance by loans. But, as these Governments had *no specie* to give, they issued paper notes payable two, three, and sometimes five years thereafter. These notes they gave to the Settlers upon the security of their *lands, houses,* &c. binding the receivers to pay the amount when the notes became due. It was also the practice of these governments, to pay, in many cases, the ordinary, and at all times the extraor-

* When the first issue of 500,000 Rix-dollars was made in 1810, it was then equal in value to £83,330 Sterling, and it passed in circulation at this value ; and if they had borrowed this amount by bills drawn on England, they could now pay it with bills to the amount of only £40,000.

dinary expenses attending their establishments, by the same mode of paper money payable at a distant period.

As long as these issues did *not exceed* the sum necessary for the circulation of the Colony, these paper notes passed *at par*, that is, for the sum they were *issued to represent*. As they were not bounded, however, by the *demand* for a circulating medium, but were extended to supply the *want of Government funds,* and of settlers' capitals, the quantity floating soon became *superabundant,* and a *depreciation* ensued.

Had these governments continued to exist, the whole of these issues would in time have been redeemed at the *same value* they were issued for, and although individuals might have suffered, the country would have been no loser. But the revolution in that country completely put a stop to their circulation, and was the cause of the production of an issue of paper money, which might more literally and truly be called forced.

When the Congress began their operations, they found a pressing want of funds to carry them on, and having no means of immediately procuring these funds, they had recourse to the issuing *paper dollars*, payable at the end of the war. These they *forced* the people, from whom they obtained the articles required, to take in payment, and with these they paid their soldiers and sailors; and they made an arbitrary act, ordering them to pass and be taken at all times, the same as silver dollars. Two circumstances tending to their very quick depreciation, being issued in *large* quantities, to supply urgent *necessities,* the circulation was completely *overstocked;* and their payment in the end depending entirely upon the ultimate success of Congress, every person pressed to get quit of them, for fear of their producing at last nothing at all. In consequence they fell to almost nothing in value, and were passed in quires.

In adducing the case of Pensylvania, as analogous to the existing state of the Colonial Currency, Mr. Trotter overlooks one most important distinction, on which the whole question hinges.

Dr. Franklin observes, " that it has been usual with the adversaries of a paper currency, to call every rise of exchange with London a depreciation of the paper; but this notion appears to be by no means just; for *if* the paper purchased *every thing but bills* of exchange at the *former* rate, and these bills are not above one-tenth of what is employed in purchasing them, it may be more properly and truly said, that the exchange has risen, than that the paper has depreciated."

Now, in applying this observation to the Colonial Currency, Mr. Trotter has entirely lost sight of the principle here noted in *Italics*. He has forgotten that "the *prices of all commodities* have *risen* more than 100 per Cent.," and in nearly the *same proportion as bills*. If indeed *only bills* had risen in price, it would have been very difficult to come to an opposite conclusion.

The objections just urged apply solely to forced paper. Free paper money, on the contrary, is possessed of several eminent advantages; it is invariable, economical, of superior utility, and never can be too abundant. The great inconvenience of a metallic currrency is, that, should circumstances occur to raise the value of the metal of which it is made, it is taken out of the circulation. The paper money is not subject to any such inconvenience. It passes entirely in confidence, and while it commands that confidence, it continues invariable; and it is perfectly invariable so long as it passes fairly at the value for which it was issued. It possesses besides, the power of conforming strictly to the actual demand for it.

When gold and silver coins form the circulating medium of a country, a season of prosperity, an extended trade, and a consequent rise in prices, may cause a greater demand for these coins, and an increase in their quantity may take place, the bullion for which would be supplied by the exchanges with foreign countries being favorable. Should a stagnation afterwards ensue, the same quantity of circulating medium may not be required; but should the exchanges continue favorable (which is very possible) there would be no immediate mode of withdrawing these coins from circulation, or of making them available in any other form without loss.

Free paper money, on the contrary, cannot possibly be subject to the same inconvenience; for the moment it is not required in circulation, it is returned to the issuer and cancelled. Here then is a wide difference between such paper, and that in circulation at this Colony.

When Governments issue paper money direct, it is generally forced, because they are seldom at sufficient pains to provide a mode of securing its being *retired* from circulation when necessary. Their issues being conformable to their own wants, not to the demand in the country, for a circulating medium, it is very possible that an over-issue may take place, and there being no means provided of immediately remedying it, a depreciation in the value of the notes ensues, which is known by their currently passing for a *less* amount of the standard unit of the country, than they are *issued to represent*. The only case in which this can possibly occur with free paper money, is when Governments interfere with the issuing of it, either by taking the management of it entirely into their *own hands*, or by procuring from the parties issuing that paper, loans or advances for their own accommodation, in quantities *beyond* what may be required for the circulation of the country. In the first case, the paper can no longer be called free. In the second, should the parties issuing it *have no means* of withdrawing the *excess* from circulation, then a depreciation must inevitably ensue.

Independently, therefore, of the conclusions which follow from these premises, to prove the fact of a depreciation in the value of the paper currency of the Colony, arising from an addition to the currency of the enormous sum of 1,000,000. to that which previously existed, (amounting to 2,083,000.) the fact of depreciation is proved incontestibly, by the rise in the prices of all colonial and foreign commodities exceeding 100 per cent. while the prices of the latter, in sterling money, or in reference to the original sterling value which the Rix-dollar represented, have fallen generally about 40 per cent.

The opponents of the theory of depreciation speak of it in a vague and indefinite manner. At one time they say, "paper money may become of less value without being depreciated;" and at other times, they talk of "currency fallen in value, or depreciated,"—thus using both terms synonimously, and in a different sense, as suits their own views of the question. In my view of the subject, depreciation means, that the symbols or tokens of value, whether coin or paper money, pass currently in the country where they are issued, at a *less value* than they were originally issued to represent.

Paper money has no intrinsic value, and therefore when it passes for a *less value* than it was issued to represent, it must be owing to *an over-issue*. As has already been stated, this can only happen to forced paper money, and, upon an historical examination, it will be found, that forced paper money alone, has ever *really* been depreciated. Look at the American paper money; the French assignats; the paper money issued by the Governments on the Continent; the Spanish, Austrian, Prussian, Russian,—all have been depreciated: and the *proof* is, that they have passed, and do pass, at a *less value* than they were originally issued for by those Governments.

In regard to the question of depreciation of Bank of England notes, subsequent to the Bank Restriction Act, it appears not to be essentially connected by any analogy of circumstances, or induction of facts, with the state of the colonial currency. On a general view of the subject, it does not appear that the circumstances and condition of the British Empire can, on any just principle of reasoning, be tortured into a comparison with the past or present condition of the Cape. Whether Bank of England notes were, or were not, depreciated, is a fact on which the wisest heads have been, and still are, at issue. That it was depreciated to a certain extent, though not so much as was asserted by some individuals, seems now to be the more general, and, probably, more correct opinion; an opinion, too, maintained by Mr. Trotter's most favorite authorities the Quarterly Reviewers. But in a country like England, with such extensive commercial transactions, many causes must obviously have been in activity, calculated to produce, as well as to counteract, depreciation, which cannot possibly, by any stretch of assumption, be predicated of this colony.—They who deny depreciation, of course deny any general rise of prices from this cause, and ascribe it chiefly to increased demand, increased taxation, and other causes; but, though such an effect might be produced partially by these causes, they will not account satisfactorily for the whole rise of price.—Increased demand will, infallibly, create increased supply, and unless the cost of production is enhanced, prices and profits will fall to the ordinary level. But so far from any addition to the cost of production in the general products and manufactures of the country, having taken place, we know that the great and numerous improvements introduced into almost every employment, where machinery could supplant labor, tended materially to counteract the effects of increased taxation.—Demand increases prices permanently, only when there is an actual increase in the cost of production, because the payment of this cost is the condition of the supply.* Moreover, the demand for English commodities, is, at the present day, more intense and universal than during the war, yet prices have fallen 50 per cent. Prices also fell before the load of taxation was entirely removed, or could have ceased to enter into the cost of production. From these, and many other causes of a similar nature, which the limits of this Essay will not allow me to detail, there are good grounds for believing that the rise of prices during the war was owing, in a great degree, to over-issue of Bank notes. In issuing paper money, there is, as Mr. Ricardo justly observes, no point more important than to be fully impressed with the effects which follow from the principle of limitation in quantity, and it will scarcely be believed fifty years hence, that there were men, and very able men too, who contended, that, the issue of notes by the Bank of England, unchecked by any power in the holders of such notes, to demand in exchange for them, specie or bullion, had not, nor could have, any effect on the prices of commodities, bullion, or foreign exchanges.

During the periods of depreciation, particularly 1809-10-11, a commodity that sold in London, at a price of 27 shillings, was paid for either with a *Bank note and five shillings*, or with one golden guinea, or with from 16 to 17 silver shillings.—If this be not depreciation of Bank paper, what is depreciation?

Mr. Trotter quotes at length the opinion of Lord Castlereagh, in regard to non-depreciation. But his Lordship's opinion on this subject, possesses no higher claim to authority than his own. His Lordship never abandoned the original plan of denying the depreciation of Bank notes during the war.—This opinion, too, was supported by the voice and influence of the whole funded and monied interest, the whole weight of administration and their adherents, in and out of parliament. It was a hard and ungracious task to convince some men that there could be any difference between the value of a guinea in gold and a pound note and a shilling. The opinions of a statesman far more profound, and more deeply imbued with just principles in every department of knowledge, may, however, be successfully opposed to the opinions of Lord Castlereagh. These are the more to be appreciated, as the gentleman to whom I

* *Vide* Malthus on Supply and Demand.

allude, was at one period of his life, a decided opponent of the "theory of depreciation." Mr. Peel is that minister who had the candor to acknowledge, in his speech on the subject of the restoration of the currency in May, 1819, the *errors* which he had before entertained on this subject, viz. that "the currency or paper money *had not* been depreciated," and he says, that "he does it without pain or remorse, since he now sees that the paper money had been depreciated, and silver having risen to 7s. 3d. an ounce, and gold to 110s. per ounce, at the close of the war, as paid for in the paper money, was a *clear* and *convincing proof* of that depreciation."

The alteration in the current medium arose entirely out of the Bank Restriction and subsequent enactments for preventing the depreciated bank paper from being sold like other commodities, at its market price, whereby it was rendered essentially a legal tender, and a *forced* paper currency.

The necessary effect of these measures was, the excessive multiplication of bank paper of various sorts, and the total *disappearance* of gold coin from circulation, with a proportionable *rise* in the price of gold, and of all other commodities, or, which is the same thing, an excessive fall in the value of that symbol or commodity with which the other commodities were measured or bought, so that the twenty-shilling note, although still denominated a pound sterling, was, in point of fact, no longer a pound sterling, but only a pound currency, of the value of from twelve to fifteen shillings; having suffered both at home and abroad, a depreciation equal to 33 per cent. on the average of its nominal value, whether that value were estimated or measured by a foreign bill of exchange, a light guinea, a loaf of bread, a joint of mutton, the wages of labor, or any other commodity in common use—a pound note, or a pound sterling, therefore, was the representation of only thirteen shillings and four-pence, or thereabouts, of real unrestricted metallic currency, being as easily acquired, at that period, by any species of labor, profit, or industry, as thirteen shillings and four-pence was previous to the Bank Restriction, (or is at the present moment), and of no greater worth or efficacy for the ordinary purposes or affairs of life.

The capital error Mr. Trotter has fallen into, is in assuming that the "disorders" of the currency and the embarrassed state of the mercantile interests, are chiefly owing to *excessive importations* and *over-trading;* and also, that there is a strong analogy in all the circumstances of the case, between the state of the English currency during the war, and the past and present state of the colonial currency.

It has been shown that both reason and argument, grounded on a legitimate induction of facts, go to disprove Mr. Trotter's views on the question of the depreciation of Bank notes; and, as far as the analogy of circumstances can be pointed out, a different conclusion would result.

From the preceding brief exposition of some of the distinguishing *criteria* of depreciation, the reader will find no difficulty in tracing the strong analogy between the facts above developed and the currency of this colony. —The Rix-dollar originally represented a real metallic value, corresponding to the Dutch coin of that denomination, and equal in Dutch currency to about 4 shillings and two-pence sterling money.* The difficulties in which the Colonial Government was involved, compelled it to recall the *silver coin* in circulation, and to substitute a paper currency of the same value.—The paper thus issued was paid off and destroyed. Financial embarrassments however, again compelled the Government (*not to substitute* Bank paper in lieu of specie, but) to create and issue paper notes, at an *equivalent value* with the specie in circulation. These issues being at first *moderate,* and being received in payment of taxes, &c. the paper continued generally at par; and in 1802 and 3, when the paper in circulation did not exceed 1,300,000, it passed at the full value it was issued to represent.—By subsequent augmentations, however, it exceeded 2,000,000, the amount in circulation, when the colony came into our possession. Soon after, a depreciation manifested itself, and though the Government endeavoured by various Proclamations to keep up its value, it nevertheless continued to pass at a discount in favor of specie, commodities, and bills of from 15 to 30 per cent. By the subsequent issues of paper it has fallen 64 per cent. below the value it was issued to represent.—The Rix-dollar is now merely a nominal value—it no longer represents its original value in currency,—though the mines are as productive, and commodities as abundant as they were 20 years ago, yet the Rix-dollar is no longer of

* The Amsterdam Rix-dollar banco, (agio 4 per Cent.) was equivalent in silver to 58 1-6th pence, or 4s. 10d.

equal value in circulation with the specie it represented. The creditor and annuitant of 1806—10 are alike sufferers. The debtor of 1810 can now pay off his debts with 2-5ths of the value which that debt represented. He who owed in 1806 20,000 Rix-dollars, or 16,000 Spanish dollars, can now pay it with less than 8,000 Spanish dollars.

Many individuals in this Colony, have a very imperfect idea of the true nature of depreciation. The price of a bill is no criterion of depreciation, unless when the balance of payments is known with some degree of accuracy; but if the prices of nearly *all* commodities rise in nearly the same proportion as the average prices of bills, then the exchange is at par, and the nominal premium represents the exact amount of depreciation. "In England," says Mr. Low in his valuable publication on the Currency, (and he coincides with Mr. M'Culloch,) "the *unfavourable exchanges* were chiefly *nominal,* and in regard to foreign payments, the Bank paper was depreciated to the extent denoted by the course of exchange."

If labor and other commodities had ***not*** risen above the prices of 1806 and 10, and yet bills had risen 80 per cent. the exchange would then have borne a real premium, arising from unfavorable balances, and the paper would not have been depreciated.

The effect of a continued depreciation of the circulating medium, must necessarily be highly prejudicial to individuals, though not always equally injurious to the community at large.

Individuals who have realized capital during periods when the depreciation was less extensive, must now be considerably abridged in respect to the means of retiring from business. A capital of 100,000 rix-dollars realized ten years ago, and then equal to 11,000*l.* sterling, will no longer command the same value, or the same quantity of labor and commodities,—their fortunes are vested in paper money, or in unredeemable securities, and must fluctuate with every fluctuation in the currency. But though the power of individuals to command the same quantity of productive capital, that was represented by the currency, at the time it was realized, no longer exists, the Colony is not necessarily a loser in the same sense, or to the same extent. The real productive capital of the Colony consists in raw produce, machinery, or fixed capital, and commodities; the quantity of these materials is not necessarily affected by any increase or diminution of the paper money,—the *aggregate* of the latter is a mere representative of a portion of the former. Depreciation, therefore, only *alters the proportion* of real capital represented by a portion of the circulating medium. It diminishes the amount of *real* capital which individuals possessed of money can command, without diminishing the aggregate capital of the Colony. It must therefore transfer some portion of real capital to some other class of the community. If it be transferred to the Government, the greater portion of it must be consumed *unproductively*. If it had remained in the hands of its original owners it would have been employed productively. It *has*, however, been consumed *unproductively* by Government. *Capital employed in the productive* departments of commerce and agriculture, adds to the stock of society;—it not only replaces annually what is annually consumed, but realizes a *surplus* in the shape of *profit*. It is from the annual surplus, or saving, that capital and the funds for the maintenance of labour accumulate; and it will be employed productively when left to its own course; but when consumed by Government it can yield no return—no surplus, and consequently the accumulation of capital is prematurely stopped. The wide distinction between public and private expenditure has been too frequently misapprehended, and involved in obscurity, by injudicious attempts at explanation, and by the zeal of parties involved in political warfare.

The depreciation of the currency, arising from the over-issue made by Government, by which it possessed itself of a portion of the capital of the Colony, had the effect, therefore, of diminishing the annual profit or surplus destined for re-production; and by withdrawing it from those who were formerly possessed of capital, it obviously deprived them in a corresponding degree, of the fruits of their industry and labor.

There can be no "diseased State of the Currency," except from over-issue. Either there was too little, or there was too much currency in circulation; if the former, it would have risen in value, without adding to, or subtracting from, the capital of individuals. If, instead of falling, the currency had been constantly rising in value, creditors would have benefitted at the expense of debtors: as the case is, the latter have benefitted at the expense of the former.

This is a subject of the utmost importance to all classes; and a right understanding of it will enable them to comprehend the extent of the evils which may result from an injudicious attempt to force the circulation, and use of a commodity, inordinately exceeding the demands of the public.—(*The Reader is referred to Appendix*, A.)

SECTION III.

The doctrines of Exchange and Currency are very intimately connected with one another; and though it be easy to state the principles of each, examined separately, yet when viewed conjointly it is very difficult to arrive at conclusions to which many forcible objections may not be brought forward. It is proper, however, to state, in as brief a manner as possible, the principles which regulate the course of exchange between two countries.

When it so happens that the amount for which bills are drawn, is the same with that for which bills are wanted; in other words, when the amount due to those who have money to receive abroad, is equal to the amount due by those who have money to pay, the amount of bills to be bought, and the amount to be sold, will be exactly the same: for each man, desirous to purchase a bill on England, there will be another man, equally desirous to sell one: there will be neither premium, therefore, on the one side, nor discount on the other; the bills, or, in the language of the merchants, the exchange, will be at par.

When it happens, however, that the debts and credits are not equal; that the Cape Colony, for example, has more money to pay than it has to receive; in other words, has imported to a greater amount than it has exported, there are more persons who want to purchase bills on England, than there are persons to sell them. Those who cannot obtain bills to discharge their debts in England, must send metals. That, however, is an operation attended with a considerable cost. There is therefore a competition for bills; and the merchants give for them rather more than they are worth. A bill, for example, drawn on England, for 1,000*l.* (the 1,000*l.* being by supposition equal to 5,000 Rds.) will be willingly purchased for some thing more than 5,000 Rds. in this case the exchange is said to be in favour of England, and against the Colony. It is against the Colony, because when bills are drawn upon England, there are fewer people who have bills to sell, than people who have any occasion to buy. There is a competition, therefore, among the people who wish to buy, and the price rises. A bill on England for 1,000*l.* instead of selling for 5,000 rix-dollars, will sell for something more. This, it is evident, is an encouragement to the Colonial Merchant, who exports goods to England, and also an encouragement to the English Merchant, who imports goods from the Colony.

It is very easy to see what is the limit to this variation in the price of bills, called in the language of the Merchant, the Exchange. The motive to the purchase of a bill, is the obligation of paying a debt. The Merchant, however, on whom it is incumbent to pay a debt in England, can pay it without a bill, by sending the metal. To send the metal is attended with a certain cost; if he can obtain the bill without paying beyond this cost, he will purchase the bill. This cost, therefore, is the *utmost amount* of the premium which he will pay for a bill, and the *limit* to the rise of its price. As the cost of sending the metal, which is a great value, in a small bulk, is never considerable, the exchange can *never* vary from par to a *considerable* amount. These principles govern the course of exchange between two countries possessing a metallic currency. There is, however, another case, namely, that of a paper money, not convertible into the metallic. This requires to be considered by itself.

Let us resume the former supposition, that the pound sterling contains as much of the precious metal as is represented by 5 rix-dollars; and let us suppose that a *paper* money, not payable in the metals, is issued in England in such quantity, that a pound in *that* money is reduced 20 per cent. below the value of the *metal* contained in a pound sterling: it is easy to see that a bill for 100*l.* sterling, in this case, is of the same value exactly as a bill for 100*l.* sterling when the currency was degraded by losing 20 per cent. of its metal. A bill for 100*l.* in both cases, is equal not to 100 times 5 rix-dollars, but 100 times 4 rix-dollars. The reason is, that the bill will, in England, buy only as much of the metal as is contained in 100 times 4 rix-dollars, it will exchange, therefore, of course, only for a bill of 400 rix-dollars.

The principal source of fluctuation in the nominal price of bills, is to be found, says an elaborate and judicious writer, in the varying value of the paper currency of commercial countries. The disorders which arose in rude ages from the diminution of the quantity of bullion contained in the coins of different countries, are now reproduced in another form, and often to a still more ruinous extent in the depreciation of their paper currency. Suppose that the circulating medium at Amsterdam is composed entirely of paper, of only half its *nominal* value, or which is depreciated 100 per cent.—in that case the exchange between London and Amsterdam (supposing the English pound as currency to pass at its original sterling value) would be at *real* par, when it was *nominally cent. per cent.* against Amsterdam in favor of London. Double the amount of this Amsterdam currency would be required to purchase a Bill of Exchange in London, when the currency retained its value, while half the former amount of English currency, would now suffice to pay a bill in Amsterdam. The effects of such a depreciation, would be precisely the same with those which would follow from a similar reduction in the value of metallic money. While paper money of Amsterdam depreciated 100 per cent. constituted the legal currency, a five Rix-dollar note, instead of being worth 20 shillings, would only be worth 10s. and the nominal or numerical value of bills, between London and Amsterdam, would be regulated accordingly. On the hypothesis that the English currency is depreciated 20 per cent. and that of Amsterdam 100 per cent. the *nominal* exchange would be 80 per cent. against the latter, and so on. If the currency of both countries were equally depreciated below their proper standards, then it is obvious there would be no variation in the real par; but whenever the currency of countries trading together is depreciated in an unequal degree, the exchange will be *nominally* in favor of that country whose currency is least depreciated, and nominally against that whose currency is most depreciated.

The facts may be expressed in the form of a general rule: a bill drawn upon any country, is equal in value, when it arrives in that country, to all the precious metal which the money for which it is drawn can purchase in the market: a bill for 100*l.* for example, is equal to all the metal which it can purchase, whether it is the same quantity which would be purchased by 100*l.* sterling, or less. To whatever amount the portion which it can purchase is less than what could be purchased by 100*l.* of the coins to that amount, the paper money is degraded below what would be the value of the coins, if they circulated in its stead. The exchange, therefore, against any country, can never exceed the amount of two sums; the difference between the value of the degraded and the undegraded currency, or the difference between the nominal amount of the currency and the quantity of the precious metal which it can purchase, for the first item; and the expence of sending the metal, when purchased, as the second. It thus appears how perfectly unfounded is the opinion of those (and some political economists of great eminence are included in the number) who conceive that the *real,* not merely the nominal, exchange, may exceed the expence of transmitting the precious metals. They say, that when by some particular cause a great absorption of the precious metals has taken place, creating a scarcity, in consequence of which goods must be sent from the country where it is scarce, to bring it back from the countries where it abounds, bills drawn upon that country may be at a discount, to the amount not singly of the cost of sending the precious metal, but of the cost of sending goods to purchase the precious metal, that of bringing home the precious metal, and that of sending the metal in payment of the bill, united. Two things are to be remarked upon this argument:—In the first place, it overlooks this circumstance, that a certain number of pounds, in the paper money, can always purchase the precious metal at the market price. To whatever degree the quantity which would have been contained in the same number of pounds in full undegraded coins, to that degree the *currency is degraded.* The exchange is then affected nominally, according to the use of an ill-contrived language; but, really, not in the smallest degree. The quantity of the precious metal which the bill will purchase, is its value as compared with a bill expressed in rix-dollars containing a certain quantity of the metal. The whole of the additional cost is the expense of sending the metal. The expense, therefore, of sending the metal, is the measure of the real exchange. All the rest is nominal, and affects nothing but the language.

An objection, however, is urged against this conclusion. Some persons affirm, that the amount of an *unfavorable* exchange, may extend *far beyond* the cost of sending bullion, *and* the depreciation of the currency, the two circumstances by which we have said that it must always be limited.

The argument in favor of this affirmation is, that in case of great foreign payments, either on account of Government, or unusual importations; as of corn in a time of scarcity, there may be a great difficulty in procuring metal to pay the balance. It may be necessary to bring it from a foreign country, and of course to send goods in order to pay for it. In that case, the importer of the bullion has to incur the whole expense of sending abroad the goods, in addition to the expense of transporting the metal. For a bill of exchange, therefore, he will give a premium, equal not only to the cost of remitting the gold, but to the additional and much greater cost of sending the goods which are to purchase the gold.

The mistake which is involved in this argument may be easily shewn.

If there is a paper money *not convertible* into metallic, and if much gold has been taken out of the country, it follows, there being a demand for it, that gold will rise in price.

When it rises in price, the meaning is, that it costs a comparatively large amount of paper. Paper, however, will still buy it; and the difference between what the paper will buy, and the quantity which would be contained in an equal amount of metallic money, is the depreciation of the paper.

It may be said, it is the gold which has risen, not the paper which has fallen.

That is another question. It is still true that the paper is of less value than the coins would have been. It is depreciated, therefore, as relates to the coins. That is what is here meant by depreciation.*

How then stand the facts? A Colonial Merchant owes a certain sum of money, that is, a certain weight of gold, to England. He can send gold, or he can send a bill. If he sends gold, he must buy it with his paper, and incur the cost of sending. He will, however, buy a bill, if he can get it, for less paper than the cost of the gold and the expense of sending united; and not otherwise. But the gold costs him as much paper as the paper would be worth, if it were not depreciated, and as much more as the depreciation amounts to. The cost of the bill, therefore, never can exceed the quantity of paper which includes the two, together with the cost of sending the gold; in other words, the premium upon it never can exceed the amount of the depreciation, and the cost of remitting the bullion, together.

If we suppose that the money of Poland, call it a rixdollar, is such that it is equal to one-fifth of a pound ster-

* Mill on Exchange.

ling, it will be easy to trace all the possible cases of the exchange. If the quantity of corn bought in Poland, for England, cost one million of rix-dollars, and if the cloth, which in like manner is bought in England for Poland, costs 200,000*l.* bills drawn upon Poland for the said 200,000*l.* will exactly pay for the one million of dollars, and the exchange will be at par, being in no degree affected by the cost of carriage, either of the corn or the cloth. If the value of the cloth imported by Poland were less than 200,000*l.* England, no doubt, would have a balance to pay, and bills on Poland would bear a premium. They could not, however, bear a premium beyond the charge of sending bullion; because, at this additional cost, the English importer would discharge his debt without the medium of a bill. It thus appears, that, in constituting an unfavorable exchange, the cost of carrying the bullion from the country which owes the balance, is the only circumstance to which any effect is to be allowed.

This balance may have accrued at a time when there has been a great drain of gold from England, when it is not easy to be procured; in other words, when England has a great demand for gold from abroad, and is obliged to send an unusual quantity of her goods to procure it. This will have no effect upon the exchange. Whatever may be the expense, in goods, which England must incur in order to procure the bullion she demands, so long as her currency is not depreciated, so long as her pound sterling is equal to 5 rix-dollars, so long will she pay a balance of 5 rix-dollars by one pound sterling, adding the cost of sending that pound.

If, indeed, her pound becomes depreciated, and is no longer equal to 5 rix-dollars, that is to say, will not buy as much bullion as 5 rix-dollars, the exchange may be unfavorable to the amount of both the depreciation and the cost of sending the bullion. In this, however, all that is produced by depreciation is *nominal* merely. That alone which is produced by the cost of sending, is real; and this, it is evident, *is all* that ever can be included in an unfavorable exchange. We may now state some of the general principles which are more particularly applicable to the existing state of the currency and foreign exchanges.

1st. " As has already been stated, in the year 1806, the paper rix-dollar passed in common currency for about three shillings and four pence, sterling, the standard unit being four shillings. Now, in my view of the nature of depreciation, when the symbol or rix-dollar passes in common circulation, for a *less* proportion of the standard unit than it was originally issued to represent, it is depreciated. For instance, when the rix-dollar passes for one shilling and sixpence halfpenny (1*s*. 6½*d*.), the value it was issued to represent having been four shillings, it is really and truly depreciated, though, perhaps, not to the extent implied by the difference, because silver itself varies in value. If a Merchant at the Cape draw a bill on London for 100*l*. he will not take as payment 500 of these rix-dollars, that pass currently at 1*s*. 6½*d*.; because 500 of these would be equivalent only to 46*l*. 3*s*. But, if when rix-dollars are *passing currently at four shillings*, 1300 were demanded for a bill on London, the *real* exchange would in that case be exactly 160 per cent. *against* the Colony."

2nd. "The distinction is obvious: when the symbol or rix-dollar passes at an *under-value*, in respect to the unit it was issued to represent, *in the purchase of commodities*, and is taken for bills at the *same under-rate*, then these tokens, or paper rix-dollars, are without doubt *depreciated* *."

3d. If on the other hand, symbols or tokens *pass readily* in *all cases*, at the *full proportion* of the standard unit they were issued for, and at the *same time* will not purchase a bill of exchange according to *that proportion*, then it may be concluded, with certainty, that the exchange is in favor of the foreign country.—This last principle obviously does not apply to this Colony, because the rix-dollar does *not* pass at the full proportion of the standard unit; and therefore, we cannot deduce from it alone the real course of exchange.

4th. When the medium is part coin and part paper money, it may occur that these coins become of such value, as to bear a premium, and are taken at a higher proportion of the standard than they are issued to represent. Where this happens, and the coins are thus taken to be sent out of the Colony, as a remittance; and if at the *same time*, the paper money passes within the Colony *at the exact rate it was issued to represent*, then it may be concluded, that the balance of payments is heavily against the Colony; that the coins are raised in value in consequence of being in demand for remittances, in which case the paper would *not* be de-

* T. Smith on the Principles of Political Economy.

preciated.—Neither does *this* last principle apply to the circumstances of the Colony, for the paper rix-dollar does *not* pass at the rate it was originally issued to represent, therefore the converse of the proposition holds true, that, as the paper rix-dollar does not pass at its original standard value, the notes must therefore be depreciated, though the extent of this depreciation must of course be determined upon other principles. For, let us suppose an apparent depreciation of 30 per cent. then the course of exchange might in reality be above or below par; but the state of the foreign exchanges could not be accurately known, unless the limit of depreciation also was known, and there might be a very great depreciation when the course of exchange was exactly at par. When the real exchange, therefore, is at par, and the nominal depression is 120 per cent. then this last quantity indicates the exact limit of depreciation.

The principles just stated, as applying to the question of depreciation, are drawn from the writings of the most able economists of the present age, and appear to be so irrefragable, that it is unnecessary to extend this essay, with copious extracts from the writers alluded to. That the paper rix-dollar does *not* now pass in currency at the original value it was issued to represent, is not disputed; and while almost every person in the Colony admits the fact of a very great depreciation, the *onus probandi* certainly rests with those who contend, that the rix-dollar is *not depreciated,* but that the balance of payments has *always* been *against* the Colony, accumulating from year to year since 1806, till at last the debt against the Colony is so great, as to raise the *real* exchange in favor of England more than 170 per cent. It is evident, however, that such a result is altogether contrary to, and inconsistent with, the principles unfolded under the second and third heads of the preceding argument. If there was a *real* rise in the exchange, to the extent indicated by the *nominal* premium, the paper rix-dollar ought still to pass at four shillings, in all the internal transactions of commerce. In this case, that is, if the rix-dollar passed readily in exchange for commodities at its *original value* of four shillings, then if bills for sterling money bore a premium of 170 per cent. on the current value of the rix-dollar (4*s*.), it might with certainty be concluded, that the real exchange was in favor of the foreign countries to this amount. But we know that the rix-dollar *does not* pass in exchange for the mass of commodities at its *original* *value;* in short, we know that, in no sense whatever does the rix-dollar pass at its original value of four shillings, or 1¼ to the Spanish dollar. If it did, and the premium still continued at 175 per cent. it cannot be doubted, that this amount would be a correct exponent of the balance of payments. From these principles, and in reference to the facts above stated, the following corrollaries are deduced:—

First, When the token, or Rix-dollar, *does not* pass readily in all cases, at the *original value* it was issued to represent, and will not purchase a bill of exchange according to that proportion, then the rix-dollar is depreciated; and when the real course of exchange is at par, the nominal rise above par is the real amount of depreciation.

Secondly, When the real course of exchange is below or above par, then the *nominal* discount exceeds or falls short of the true depreciation, by the quantity indicated by the real rate of exchange, below or above par. That is, if the apparent premium on the exchange be 100 per cent., and the real course of exchange 10 per cent. against the Colony, then the depreciation of the Rix-dollar is 90 per cent. and if the exchange be 10 per cent. in favour of the Colony, while at the same time it is nominally 100 per cent. against it, the real depreciation of the paper is 110 per cent.*

In regard to the immediate effects of a sudden addition of from 25 to 50 per cent. to the currency of the country, on the *real* course of exchange, political economists are by no means unanimous. The question is one of a very abstract nature; and to form any thing like a correct opinion, it would be necessary to enter into researches too detailed for the limits of this Essay.

That a sudden influx of currency will enhance the premium on the exchange in favour of sterling money, seems sufficiently certain from what has already been said, and from other circumstances to which I shall advert in the sequel; but its influence must necessarily be very transient. After the lapse of two or three years, the prices of circulating commodities of every description accommodate themselves to the altered value of the currency; and after a certain time, the currency can have no effect on the real course of exchange, nor the rate of exchange on the currency. The rate of exchange, therefore, can never be *really* against the Colony, unless the balance of payments be against it. But

* T. Smith's Principles of Political Economy,—*vide* Section on Exchange. Supplement to the Encyclopædia Brittannica, Art. "Exchange."

the balance of payments can never be permanently, or even for several years, against a country. Were this the case a country would soon cease to import. No man will continue to lend money from year to year to an individual, to whom every additional sum that is lent only renders payment more impracticable. No merchant in England will, for a series of years, export goods to this Colony at an annual loss; and no merchant here will, for a series of years, continue to sell goods at a less price than they cost him, and thus pay the balance out of his own capital. Unforseen circumstances may compel him for a year or two to sell at a loss, or at least without an adequate profit; but he will rather relinquish the business than encroach on his own capital, in order to accommodate his customers with commodities at a lower price than he paid for them. On every principle of reason and argument then, the assumption of a large balance of payment against the Colony, commencing with 1806, is preposterous, even were it not disproved by indubitable facts; and were not the fact of depreciation not already sufficiently substantiated.

In stating that the real course of exchange cannot be permanently affected by the state of the currency, this is to be understood only of a currency that has reached its greatest limit of depreciation; but where the limit is uncertain, or where, from an *injudicious system of bank issues*, the value of the paper fluctuates, as the caprice or necessities of individuals may suggest, without any reference to the actual demands of commerce, it is clear there can be no certain limit to the rise or fall of the depreciation; * and if the currency be at any time more loaded with bank notes than at another, for which there is *no immediate employment*, the surplus must obviously operate to raise the *real* exchange, because those who possess the surplus will enter the market for bills, and offer a greater premium than those who possess less of the means of purchase. In short, an injudicious and ill-regulated system of bank issues, has precisely the same effect as a forced issue of paper money; since, as is justly observed by a writer frequently quoted, "it gives

* Mr. Pinsep, in his Notes on Mr. Say's Work on Political Economy, observes, with respect to currency, "that nothing more is requisite than steadiness of value in the home market, for the better calculation of international dealings. But it is quite immaterial to the nation whether its currency be permanently high or permanently low in foreign estimation, so that its *value* be *permanent*, and does not, by its *repeated vibration*, discourage *foreign ventures*, by the uncertainty of the returns."

immediate means to more purchasers, without adding to the number of bills on sale;" and thus, *competition*, originating *not* from a balance of payments, but from a *redundant issue*, raises the premium against the Rix-dollar, far above the ordinary limit of depreciation. In this manner the exchange may be affected by a forced issue of paper money, long before the excess shows itself in a permanent rise in the prices of commodities; and thus, undoubtedly, individuals may and have sustained losses, by being obliged to give a higher premium on bills than that to which prices had been previously adjusted. It is thus that every successive rise of premium, originating in the issues of currency not called for by demands of commerce, necessarily acts to the loss and disadvantage of the Merchant. His remittances being made in payment of commodities, his prices are of course adjusted to the premium of a preceding period; if, therefore, after these commodities are disposed of, the premium rises from 10 to 20 per cent. he must not only forfeit his acquired profits, but probably some part of his own capital, or he must be in arrears to the home exporter.

Hence it is evident, that a vitiated state of the currency arising from over issue, or from circumstances not connected with the demands of commerce, may not only affect the nominal, but also the real, course of exchange, by the losses to which individuals are subjected, and the consequent balances which, among a great number of individuals, may accumulate from these causes.

It is clear, however, that losses from this circumstance to such an extent as to affect materially, or for any length of time, the balance of payments cannot occur. The losses thus sustained must either be paid by the Merchant out of his capital, or he must cease to import, or, finally, he must raise the price of his goods so as to meet any probable extra premium. He *cannot* and will not continue to trade at a loss. If he does not pay punctually, he will not obtain credit. If an English Merchant in London, sends goods to the colony on his own account, by which he loses, he will not persist in trading at a loss; and if a Merchant at the Cape commission goods, he must pay for them in some way or another. But if the premium depend in a considerable degree, on the scarcity of bills—if the bills in the market, and the value of the produce exported, amount to no more than 100,000*l.* while imports exceed 150,000*l.* it is evident that no rise of premium can enable the merchant to obtain bills for 150,000*l.* There is no means of buying 50,000*l.* except by the export of bullion. But how is the bullion to be obtained but by the export of produce? Hence imports can be paid only by exports of produce. There is no buying without selling, and if England will not take produce, the Colony must cease to import. The merchants in London must either lose the whole difference between the value of the exports and the value of the imports, or they must cease to import their goods into this Colony. If the London Merchants export goods, they must do so, under the certainty that they are to lose 50 per cent. annually. This they must hitherto have done if the exports have fallen so far short of the imports, as is asserted by those who contend, that there is no depreciation, nor over-issue of currency.* That a commercial intercourse should have subsisted under such conditions, for a period of 16 years, is a supposition, not warranted by experience or reason. On this subject Mr. M'Culloch justly observes, that "a real premium, when originating from a scarcity of bills, can *never* exceed the expense of sending specie, or bullion, from the debtor to the creditor country;—and that the *real* exchange *cannot* continue for any considerable time unfavorable:—that it has a tendency to correct itself, and cannot vary from *par* greatly above the cost of freight, insurance, and commission, in sending bullion.

The assumption, therefore, of a constant balance of payments *accumulating* in a compound ratio, from year to year, is not only groundless, but perfectly absurd. For three or four years together, there may be a balance of payments against the Colony, but not for sixteen or twenty years; and in all events such a balance could not operate on the exchange, because, as elsewhere stated, there would be an inability to pay it, and there would be no funds wherewith to offer a premium to discharge it.

They who contend, that the paper is not depreciated, but that the high premium in favour of sterling money and bills, is owing to a heavy balance of payments, appear entirely to misunderstand the nature of a *real* premium on the exchange. A one pound English *note,* where it passes in currency for 20 *silver* shillings, and where its value in purchasing commodities is of equal efficacy with 20 shillings, is not depreciated. In *this* case, if to pay a debt of 100*l.*

* This subject will be resumed in another Section.

sterling in a foreign country, 110*l.* were given for a bill, the additional 10*l.* would evidently be a real premium on the exchange, in favor of the foreign country.

On the other hand, if a one pound Bank note passed in circulation at a *less* value than it was issued to represent; if, for instance, it would not purchase more commodities than could be obtained for 18 *silver* shillings, it would evidently be depreciated 10 per cent. In this case, as in the former, if to pay a debt of 100*l.* sterling to a foreign country, 110*l.* in Bank notes should be required for a bill of exchange, the exchange would evidently be at par; since the 110*l.* in the latter case is equal to no more than 100*l.* sterling currency. The additional 10*l.* it is clear, is the effect of depreciation, and supposing the course of exchange against England to be 10 per cent. it would require 121 of the depreciated notes to purchase a bill to pay 100*l.* sterling in the currency of the country in whose favor the bill is drawn (10 per cent. on 110*l.* depreciated Bank notes being equal to 121*l.*) The exchange, therefore, though only 10 per cent. against England, would be nominally 21 per cent. against that country.

On the same principle, if the rix-dollar note was *equivalent in circulation, i.e.* in the purchase of commodities, *to the value it was issued to represent* (1¼ being equal to a Spanish dollar), or about four sterling shillings, it would not be depreciated; and if 500 of these notes purchased a bill in England for 100*l.* sterling *, the exchange would be at par; but if while the rix-dollar *passed for four shillings,* a bill for 100*l.* could not be obtained for less than 625 rix-dollars, the course of exchange would be then precisely 25 per cent. against the Colony. On the *other* hand, if the rix-dollar was so depreciated in circulation as to pass *for only three shillings,* or to purchase no more commodities than could be obtained for *three silver shillings,* there would obviously be a depreciation of 25 per cent. in which case, if a bill for 100*l.* cost no more than 625 dollars, *the exchange would be at par,* because, in this case, 625 depreciated rix-dollars would be no more than an equivalent to 500 rix-dollars at their full value in circulation.

The observations just made will serve to shew the importance of carefully attending to the distinction between a *real* and a *nominal* premium; and this being the most ab-

* By pounds sterling, I mean pounds of the standard unit of Great Britain,—a pound sterling in silver, or its equivalent in gold.

stract part of commercial science, a correct apprehension of it will enable every individual to judge for himself.

In another section it will be satisfactorily shewn, that the assumption of a balance of payments, is groundless, and that the exports have been at all times adequate to pay the imports.

It has been shewn, on general principles, that an accumulating balance of payments, is incompatible with the existence of continued commercial intercourse. Proceeding on the same general principles, I affirm that even in the absence of any other criterion for determining whether the currency is or is not depreciated, the rate of exchange will be a true criterion of its value.

This doctrine is very ably illustrated in an article on the "State of the Currency," contained in the 52d No. of the Quarterly Review,—and the principle unfolded in that essay is so perfectly accordant with just and rational views of the subject, that applying the same principle of reasoning to the state of the currency in this Colony, there cannot, I think be a doubt that the nominal premium on the exchange is ascribable in a considerable degree to the depreciated value of the paper currency, arising from *over-issue*. The Reviewers observe, that in order to make exchange serve as an index of this value, we must pre-suppose the balance of payments to be accurately known, just as we must presuppose the intrinsic value of the currency to be accurately knowu, in order to serve as an index of the balance of payments: one of these points must be fixed in order to mark the variations of the other. If *both* are in motion, and that motion *irregular*, we cannot determine precisely the state of the one by a reference to the other. Still adopting the language of the Reviewer, I observe, that we are not without the means of approximating to the latter. "When the commerce of a country is in *a high degree of prosperity*, when there is a continued *increase* of population, wealth, and trade, and *increased* internal consumption and production (as was the case in this Colony between the years 1810 and 1820), we know that the balance of payments *must be in favor of that country*, and this balance is indicated in the regular state of the currency by a rise in the exchange." Now, it is undeniable, that during the greater part, if not the whole of the period extending from the capture of the Colony to 1820, the trade of the Colony was in a state of unexampled prosperity. From various causes which I may hereafter have occasion to notice, the productive energies of this Colony were called into action to the greatest extent of which they were susceptible; not only had the colonial population increased in number within that period, by about 50 per cent. but their circumstances had been improved in a degree which can be appreciated only by those who knew the state of the Colony previous to its falling into our possession. In short, no fact, no circumstances can be pointed out which do not clearly prove the rapid advancement of the Colony in wealth and riches, arising from the stimulus given to the productive powers of the soil, by the increased foreign demand for its produce, together with the extensive consumption occasioned by the garrison and the shipping belonging to, and touching at the Cape for supplies. Yet, during *the whole* of this period, the exchanges were nominally unfavorable. In 1810, before the first issue of paper money to the amount of 500,000 rix-dollars, the exchange with England averaged 25 per cent. In 1814, before the second issue of an additional 500,000, it averaged 65.

Rates of Exchange with England, from 1805 *to* 1824.

1806 *Premium per Cent.*	26
1807	30
1808	20
1809	18
1810	24
1811	45
1812	60
1813	65
1814	80
1815,	
Sept. 27,	80
Oct. 26,	80
Nov. 29,	82
Dec. 29,	84
1816,	
Jan. 23,	82
Feb. 23,	87
March 27,	86
April 25,	88
June 27,	98
Aug. 7,	98
29,	90
Sept. 10, *Premium pr Ct.*	91
Nov. 14,	101
Dec. 13,	114
1817,	
Jan. 13,	112
April 28,	117
May 22,	121
July 11,	130
Aug. 29,	137
Oct. 24,	131
Nov. 15,	124
1818,	
Feb. 28,	130
March 27,	135
May 2,	130
June 30,	131
Aug. 24,	133
Oct. 8,	130
25,	122
Dec. 19,	116

1819,	
Jan. 22,	106
March 6,	106
25,	104
May 22,	114
June 18,	118
July 26,	123
Sept. 2,	122
24,	118
Oct. 19,	119
Nov. 25,	121
Dec. 9,	120
1820,	
Feb. 3,	124
March 2,	124
22,	121
May 17,	122
July 7,	127
Aug. 17,	135
Sept. 14,	131
Oct. 26,	130
Nov. 23,	131
Dec. 7,	131
1821,	
Feb. 8,	134
March 1,	132
20,	131
May 10,	131
June 14,	134
July 19,	140
Sept. 6,	151
Nov. 14,	161
Dec. 19,	164

1822,	
Jan. 24,	171
March 14,	177
April 24,	185
May 22,	193
June 20,	194
Aug. 6,	159
Sept. 10,	180
Oct. 3,	180
Nov. 8,	161
Dec. 16,	148
1823,	
Jan. 15,	139
Feb. 6,	132
March 20,	139
May 5,	159
31,	173
July 5,	166
Aug. 9,	167
Sept. 6,	173
Oct. 18,	175
Dec. 6,	160
1824,	
Jan. 16,	135
Feb. 20,	145
April 2,	169
July,	195
Oct.	180
Dec.	180

The six years ending with 1819—20, was perhaps the most prosperous period the Colony had ever experienced. In these years, the greatest possible impulse was given to production of every description. The demand for supplies to St. Helena during these years, partly compensated for the loss of the Garrison. The exports valued at 556,703 dollars, and the payment being made in Spanish dollars, or in bills on England, must necessarily have gone a great way to render the balance of payments favorable to the Colony, or at all events, if the balance of payments was against the Colony, it was very trifling, and could not have exceeded the cost of transmitting bullion, *i.e.* from 8 to 12 per cent. It is a notorious fact, however, that from

1810 to 1820, the Colony had been advancing in wealth and prosperity, and the fact is itself demonstrative, that the balance of payments during that period could not have been against the Colony, and this too was most certainly the case at the time the exchange was *nominally so unfavorable*, as to have averaged 120, so far depressed as to indicate a loss of 120 per cent.

If there had been no depreciation of the currency, it is perfectly obvious, that the state of the exchange would have indicated accurately the amount balance of payments in favor of, or against the Colony; whereas, if we argue, that there was no depreciation of the currency, the Colony must have been ruined before the second issue of 500,000 Rds. in 1814. For a real premium on the exchange, for a series of years, indicates a constant efflux of the wealth and produce of the Colony, without any corresponding return of value, which is utterly impossible, and altogether contrary to established facts.

It will readily be admitted, that the period most favorable to production and to commercial and agricultural industry, was that, extending from the peace in 1814, to the death of Buonaparte in 1820. We may form some idea of the encreasing property of the Colony, during the period just mentioned, by referring to the tonnage of vessels arriving in Table Bay and Simon's Bay, during the year 1821, which, *exclusive of Men of War,* amounted to 71,719 tons;* but the tonnage of 1820, we are told, exceeded this amount. During the same year, the exports of produce, including 10 per cent for profit on sale, amounted to 2,213,337 Rds. and by bills, to 2,707,855, making a total of 4,921,192 Rds.

The value of the imports, *it is said,* on very uncertain *data,* exceeded this amount, by about a million and a half of dollars; but this was the first year after the demand for the supply of St. Helena had ceased, and when the demand in the Home market for the Colonial Wines began to fall off: accordingly the exchange rose in 1821, from 114 to

* *TABLE BAY.*	*Tons.*
British and Foreign Vessels, for refreshments only,	25,585
For the purpose of landing part cargo,	15,826
For landing extra cargo,	15,039
SIMON's BAY.	
For refreshments,	15,272
	71,719

128, and in 1822, to 145; in 1823, to 160; and in 1824, to 180. It is to be observed, that these are the average exchanges during each year. In some months the exchange was so low as 120, 130; and at other times, it exceeded 200. In short, it does not admit of a doubt, that, till the beginning of 1820, the trade and commerce of the Colony was profitable to individuals, and conducive to the general interests of the Colony; and we know, on very good authority, that in the years 1818 and 1819, the Colonial wines sold at such a price in the Home market, as must "have reimbursed any balance of payments which may have been due by the Colony to England." It is absurd to suppose, that during the whole period adverted to, the balance of payments was against the Colony; if this had been the case, instead of advancing in wealth and improvement, the Colony must have been ruined by the constant efflux of capital, and the continued drain of its products.

If there was *no* depreciation, then the value of the Rix-dollar was always four Shillings, and for every four Shillings worth of produce, received from, or due to England, the Colony (when the premium was 150,) had to remit produce worth ten shillings. This is the real meaning of a constant premium. For, when the balance of payments is against England, for instance, say 10 per cent, and the currency not depreciated, then for every 100*l.* due to a foreign country, the English merchant must pay for it, either with produce, which costs in England 110*l.* or he must pay 110*l.* sterling for a bill. It is certain, that if he could pay the debt of 100*l.* sterling by produce, which would cost him only 105*l.* he would not pay 110*l.* for a bill. If, therefore, the premium was 150 per cent against England, a merchant must pay a debt to a foreign country, of 100*l.* sterling, by purchasing a bill, for which he would have to pay 250*l.* sterling, or he must pay it with produce which would cost the same price. If he could pay the debt, by buying produce worth 200*l.* and sending it to the foreign country, he would not pay 250*l.* for a bill. But such a state of things, it is obvious, could not exist, and a country so circumstanced would soon be drained of all its wealth and capital.

It is evident, that when the exchange is at par, 100*l.* sterling will purchase a bill in payment of a debt in a foreign country, equivalent in the currency of that country to 100*l.* sterling, or to the quantity of gold and silver it represents. If the exchange be 10 per cent against England, it will require 110*l.* sterling to pay to a foreign country a debt equivalent in the currency of that country, to 100*l.* sterling, or to the quantity of gold and silver represented by 100*l.* sterling. One hundred pounds worth of commodities, evidently, will not in this case pay a debt of 100*l.* if it did, no man would pay 110*l.* for a bill. He would buy produce worth 100*l.* or 105*l.* to pay it, and thus save five per cent. but this cannot be done as bills, on the supposition, do sell at 110*l.*

Suppose that an English merchant owes a debt of 400 Spanish dollars to a Spanish merchant, and that in England 4 Spanish dollars are of the same value in circulation, as one pound sterling or 20 sterling shillings. If the exchange be at par, 100*l.* sterling will purchase a bill, to discharge the debt of 400 Spanish dollars. If the exchange be against England 25 per cent., it is evident that a bill will cost 125*l.* sterling, or 500 Spanish dollars, to pay in Spain a debt of 100*l.* or 400 Spanish dollars. If the debt could be paid with English produce, worth only 100*l.* or 400 Spanish dollars, no man would pay 125*l.* for a bill : but the premium on bills is 25 per cent It is evident, that such a trade would be a losing one to England ; and if continued for any length of time, would drain the country of its wealth ; but such a trade evidently could not continue. No individual will continue to export goods worth 125*l.* sterling, to pay a debt of 100*l.* sterling: but the assumption, that merchants had continued, from year to year, to incur debts, for every 100*l.* of which, they had to send produce or bills which cost 250 or 300*l.* carries with it its own refutation ; yet if the rix-dollar is not depreciated, as Mr. Trotter contends, and the premium of 200 per cent. is a *real* premium, for every 100*l.* of debt, 200 or 300 must be paid for bills to discharge it, it is the same thing, whether the person who owes the debt of 100*l.* or 400 Spanish dollars finds produce to pay it, or buys a bill at a premium of 125*l.* The person who sells the bill must have credit in Spain for 100*l.* or 400 Spanish dollars, for which he remitted produce which cost him, including his profits, 125*l.*: for if the produce cost less (say 110*l.*) the person who owed the debt would send produce, and thus save 15*l.*; but this is not the case,—as on the supposition, the premium on bills is 25 per cent. against England.

It is evident, then, that if the balance of payments against the Colony, was the sole cause of a premium reaching sometimes to 200 per cent. as is asserted in some quarters: if the rix-dollar was *not depreciated*, but retained the same value as it formerly did, then, for every 100*l.* due to England, the Colony must have sent Colonial *produce*, which cost in the Colony 300*l.* Taking four Spanish dollars to be of equal value in England with one pound sterling, then, for every 400 Spanish dollars, due to England, the Colony must have sent produce, which cost 1,200 Spanish dollars, (which in point of fact is notoriously false.) Such a drain would evidently have long since ruined the Colony.

It is essentially necessary, that, in perusing this statement, the reader should particularly remember what is meant by a *real* premium on the exchange. "The exchange is ascertained by estimating the value of the currency of one country in the currency of another.* Suppose the rix-dollar and Spanish dollar to have been of equal value, and that five Spanish dollars were equivalent in England to one pound sterling currency, then, if the premium on remittances be 20 per cent. a bill for 100*l.* sterling would cost 600 Spanish dollars, or its equivalent value 600 rix-dollars. If produce could be purchased by the debtor for 500 or 550 dollars, sufficient to pay the debt of 500 dollars in England, no person would give 600 for a bill. Hence it is clear, that, when a bill for 100*l.* sells for 600 dollars, each worth four shillings in currency, produce of nearly an equal value must be sent out of the Colony, and thus, when there is a real premium of 200 per cent, produce worth 1,500 Spanish dollars must be sent to England, to pay a debt of 500 Spanish dollars, which no man of common sense will believe. In fact, no commercial intercourse can continue between any two countries, if the *real premium continues* 20 or even 10 per cent. against one of them.†

* Ricardo on Foreign Trade.

† This is to be understood as a general principle, with one or two exceptions; as in the trade between India and Great Britain, which is purely a *remittance* trade. The excess of exports from, above the imports into, India, from Great Britain, averages annually about 3,500,000*l.* I have not been able to *discover* how a country *benefits* from the *efflux* of capital, without any return. Happily, the *fact* of the benefits which India derives from her connexion with England, through the Company's Government, does not rest on a principle so utterly absurd and ridiculous. Yet there *are* men, who think that the more produce that is exported from India (without any returns), the more rich and happy the people must become. Our Government of India is to be defended on principles far more creditable. A *perfect* Government never existed, and the Indian Government does not profess to be impeccable or immaculate. It is only to be regretted, that some of those writers, who deprecate and exaggerate the evils and disadvantages incident to British supremacy, argue as if these evils originated *solely* from the Government of the East India Company. The question more properly is, would

If the balance of payments had been uniformly so unfavorable during the period specified, the commerce of the Colony could not have been very prosperous; and instead of an increase of capital arising from a prosperous trade, the Colony would have been many years ago in a most deplorable condition. We have no reason to doubt, that during the period mentioned, the commerce of the Colony was uniformly prosperous, and that the balance of payments was upon the whole in its favor. They who contend that there was no depreciation, will readily allow, that during a

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the country be better governed through any other medium than that of the Company?—by being placed on the same footing as the West India Colonies? Does the past history of our Colonies justify any such conclusion? No man of judgment and *experience* can hold such an opinion. Whatever be the defects of the Indian Government (I speak of the Bengal Government, and as a Servant of that Government, I have had many opportunities of knowing its practical merits,) I should say that there is nothing good in the system of Colonial policy, which that Government has not adopted; while in the system of our Indian administration, there is much which our Colonial Governments would do well to imitate. There are few individuals placed in such situations, as to take an impartial and correct view of the excellencies and real defects of the internal system of administration in India. It is easy to conjure up fancied and imaginary abuses; but I maintain, that "the abuses," if such they can be called, incident to the system, are less numerous and less injurious, than those which would probably exist, if the Government of India, through the East India Company, were abolished.

"Objectionable as the monopoly of the East India Company may be in a commercial point of view," (and as regards our Indian Territories these objections do not apply) "and highly desirable as a reform of many things in the Government of our Indian Empire may be, it is impossible to contemplate any change which would put it under the Home Government, without the most lively apprehensions." This is the language of a writer not friendly to the East India Company. And whatever opinions people may entertain as to the expediency of abolishing the commercial functions of that body, no man who is conversant with the character and history of our Indian Government, as administered through the Directors of the East India Company, can suppose it probable that the country would be better governed under any other system.—Querulous and discontented men, would cavil against an administration of Angels,—the Directors are fallible like other men, and I do not wish to become their apologist "in all things;" but where do we find in any Government, or in any part of the globe, a Controling Board possessed of so much talent, and efficiency, and who have so *uniformly* opposed themselves to Mis-Government.—As to the proposal of governing India, in the same manner as the Colonies are governed, it is surprising that any man of common sense should harbour such a wish. The Company may be bad enough, but surely there can be only one opinion as to the inefficiency and vicious tendency of our Colonial Policy, whether viewed in the abstract, or in its practical effects. I would not be understood to allude to persons but to *principles*, to the system itself. In short, there can be no comparison, between the merits of our Anglo-Indian and Anglo-Colonial System of Administration. With all its defects, the former is eminently calculated to conciliate and secure the affection of the great mass of our Indian subjects. The latter, even in those instances where it is most perfect, is essentially hostile to the principles of justice and humanity, and incompatible with the existence of liberal institutions. As respects the merits of our Indian Governments, the only debatable question is, that of a free Press. But, surely, every man of candor and common sense, must allow, that a *perfectly free Press* in India, is, to say the least of it, a very dangerous instrument in the hands of a factious demagogue.

portion of the period alluded to, the balance must have been in favor of the Colony. Now, granting for a moment that this was really the case, and that the currency was not depreciated, but retained its original value, we would naturally seek to find an index in the rate of exchange, to point out the particular period or year in which this balance was realized. Now, the real exchange with foreign countries is always a true criterion of the balance of payments, *when the currency is not depreciated.* If the value of the exports, including bills, from the Colony to England, exceed the value of the goods exported from England to the Colony, the course of exchange must necessarily be in favour of the Colony, and the rate of exchange will, *when the currency is not depreciated,* be an accurate index of the balance of payments. It will scarcely be denied, that there has been some period between 1810 and 1820, when this was the case; but on the supposition that, during the period in question, the currency was not depreciated, where or when do we find the exchange nominally at par? From 1815 to 1819, both years included, there cannot be a doubt that the commerce and circumstances of the Colony, generally, were in a state of the highest prosperity, and that the exports did not fall greatly short of the imports in value. It is sufficient, however, for the prosecution of the argument, to admit that the value of the exports in produce, bills, and other means of remittance, was just sufficient to pay the imports into the Colony. This being the case then, we should naturally find the exchange at par, supposing that the currency was not depreciated; but again I ask, when do we find that this was the case? In fact, ever since the first issue of rixdollars in 1810, but more especially since the second issue in 1814, there has been a rapid and accelerated fall in the exchange with England, not excepting any one year. In 1817-18-19, the Colony witnessed its greatest prosperity, in spite of existing discouragements, and when every circumstance argued a prosperous commerce and a rapid augmentation of capital, originating from the foreign demand for colonial produce, and the consequent favorable state of the trade, we find notwithstanding these well established facts, that the exchange varied from 107 to 128.

Here then we have a demonstrative proof, that the extraordinary, but only apparent depression of the exchage was not owing to the balance of trade being against the Colony, but solely owing to depreciation, originating in a redundant currency.

They who contend that there is no depreciation in the currency, must be reduced to the necessity of proving, that ever since the Colony came into our possession, every year, without any exception, there has been a rapid efflux of wealth and capital from the Colony; that ever since 1806, it has been advancing at an extraordinary rate to Bankruptcy and Impoverishment. If, indeed, such had been the state of matters, the population must have been reduced to starvation and misery. Wealth, capital, and improvement must long since have ceased to exist; and instead of beholding, as we have done, the effects of an extended and prosperous commerce, in augmenting the population, and in stimulating the productive powers of the Colony; in doubling the annual produce and consumption of the Colony (effects altogether incompatible with the assumed fact of a constant and accelerating balance against the Colony) we should see nothing but misery and poverty, the natural concomitants of a system, which had it ever been in operation, must have drained the Colony of every thing it possessed, and doomed it to ruin.

No country in the world, circumstanced as the Cape is, and with such limited resources, could have stood the heavy drain on its capital and produce for a period of 16 years, indicated by an exchange varying from 20 to 200 per cent. against the Colony.

We find from the valuable work already quoted, that the debts which press so severely on the trade and interests of the Colony, were contracted chiefly in 1820—21. These debts may at the utmost be estimated at 4 millions of dollars, or about 325,000*l.* However, *assuming* that in 1820-21-22, the debt incurred by the Colony, or in other words, the balance of payments due to England, amounted to 5,000,000 Rix-dollars, we accordingly find this debt indicated by a further rise in the exchange of about 60 per cent.; that is, the exchange in 1820, when the Colony was free from debt, was only 128 above par, while in 1822-23, it rose to 190. Here, then, we have nearly an accurate index to the nature and extent of the rise in the exchange, arising from a balance of payments amounting to 5 millions. It is evident, that as no debt, or only a very inconsiderable debt, was due by the Colony at the close of 1819; the exchange, though apparently against the Colony to the extent of 130 per cent. was *in reality at par;* and the subsequent increase of 60 per cent. is a *correct exponent* of the debt incurred in 1820-21-22. Now if it be contended, that there was *no* depreciation of the currency in any of the years preceding 1820, it must be concluded, that the depression of the exchange was occasioned by a constantly increasing debt on the part of the Colony, and using the exponent above-mentioned, that is a fall of 60 per cent. to express a balance of 5 million, there must, on this hypothesis, have been a debt due by the Colony at the close of 1819, amounting to nearly 12,000,000 rix-dollars.

It is only upon one of these two principles, that the great depression of the exchange can be accounted for; but I have already shewn, that the assumption of a constantly encreasing balance against the Colony, commencing from the period of capture, is utterly groundless, contrary to established facts, and still more irreconcilable with the single fact, that until the close of 1819, the Colony had continued to advance in capital, population, and commercial prosperity. I need not quote the authority of all the most eminent writers on political economy, in support of a doctrine so well established as this, and which must be known to every individual of ordinary acquirements,—it being an ascertained fact, confirmed by the testimony of the author already quoted, as well as from the commercial prosperity of the Colony, until the end of 1819, that the debt (if any) due at the close of that year, was very inconsiderable; and it is impossible the exchange could have been much above par, because there were no payments to be made in favor of England to any considerable amount. *The exchange, therefore, at this period, though nominally* 130 *per cent. below par, must in point of fact have been nearly at par;* and in 1816, when the exchange averaged 95 per cent. below par, or was nominally 95 per cent. against the Colony, it was probably 5 or 10 per cent. in its favor.* In regard to the items of which the existing nominal premium is composed, (should the real exchange be unfavorable,) it must consist of two sums, both the amount of depreciation, and the real premium or cost of transporting specie or bullion. The expense of transmitting money from one place to another, forms the natural limit to fluctuations in the real exchange. If 10*l.* suffice to cover the expense and risk attending the transmission of 100*l.* from the Cape to London, it would be indifferent to a Cape merchant, whether he paid 10*l. per cent. premium* for a bill of exchange on Lon-

* This result is substantiated on other data in Section V.

don, or whether he remitted money direct to that city. If the premium were less than 10*l.* per cent. it would be clearly his interest to make his payments by means of bills of exchange, rather than by remittances; and that it could not exceed 10 per cent. is obvious, for every individual would rather directly remit money than incur unnecessary expense, by purchasing a bill on London at a greater *premium,* than would be sufficient to cover the expense attending a money remittance. If owing to the dangers of the seas, or to any other cause, the expense of remitting money from the Cape to London, should be increased,—the difference in the rate of exchange between these two cities, might also be proportionably increased. But *in every case* the extent to which this difference could attain, would necessarily be limited by, *and could not for any considerable period* exceed the cost of making remittances in cash.*

If, as in the example just given, the Colony owes London 100,000*l* while London only owes the Colony 90,000*l.* a reciprocal transfer of debts may be made to the extent of 90,000*l.*: but the Cape merchants cannot discharge the additional 10,000 by means of bills drawn on London,—for by the supposition London only owes them 90,000*l.* and they have already drawn for its amount. The balance, therefore, must either be discharged by an actual money payment, *or* by the delivery of some species of commodities, *or* by bills drawn on some third party who may be indebted to the Colony; *or finally,* if there be no means of payment, in either way, *the imports must diminish,* so as not to exceed the means of payment.†

The *price* of foreign bills of exchange, then, depends entirely on two circumstances; *first,* on the *value of the* currency at the place where they are made payable *compared with* the value of the currency at the place *where they are drawn;* and secondly, on the relation which the supply of bills in the market bears to the demand.

If the *real* and *nominal* value of the currencies of the different nations having an intercourse together remained *invariable,* such fluctuations in the price of bills of exchange, as arise from the *first* of these circumstances, would be altogether unknown. But as the *comparative value* of the pound sterling, dollar, &c. is subject to *perpetual variation,* the price of bills of exchange must vary accordingly. Such variations, however, as proceed from *this* cause, af-

* Article Exchange. Suppl. Encycl. Britt. † *Ibid.*

fect merely their *nominal* or rather *numerical value*. It is those only which arise from variations in the *supply* and *demand* for bills; or, which is the same thing, in the payments a country has to make, compared with those it has to receive, that can be considered as *real*, and hence the distinctions of *nominal, real* and *computed* exchange. The *first* depends on alterations in the *relative value* of the currencies to be compared together,—the *second* depends on the supply of bills in the market, compared with the demand; and the *third* or *computed* exchange, depends on the combined effects of the other two.

With respect to the effects of fluctuations in the *nominal* exchange, on the export and import trade of the country, it may be observed that, when the exchange is at *par*, the operations of the Cape merchant are regulated entirely by the difference between foreign prices and colonial prices. He imports those commodities which can be sold at the Cape, for so much more than their prices in England, as will, after indemnifying him for the expense of freight, insurance, &c. yield an adequate remuneration for his trouble, and for the capital employed in importing them; and he exports those, whose price abroad is so much greater than at the Cape, as will suffice to cover all expenses, and to afford a similar profit. But when, because of *a fall in the value* of its currency, the *nominal* exchange becomes unfavorable to a particular country, the premium which its merchants receive on the sale of foreign bills, has been supposed capable of enabling them to export with profit, in cases where the *difference* between the price of the exported commodities at the Cape and abroad, might not be such as would have permitted their exportation, had the exchange been at *par*. Thus if the *nominal* exchange was 20 *per cent.* against this Colony, a merchant who had consigned wine to his agent in England, would receive a premium of 20 *per cent.* on the sale of the bill; and if we suppose freight, insurance, mercantile profit, &c. to amount to 12 or 15 *per cent.* it would at first sight appear as if our merchants might, in such circumstances, export commodities, although their price at the Cape should be 5 or 8 *per cent.* higher than in England; if on the other hand, the *nominal* exchange was in our favor; or if bills *on* this Colony sold at a premium, it would appear as if foreigners would then be enabled to consign goods to our merchants, or the Cape merchants to order goods from abroad, when the difference of real prices was not such as would of itself have led to an importation.

But a very little consideration will convince us, that fluctuations in the *nominal* exchange can have no such effect. *The same fall in the value of the currency, which renders the exchange unfavorable, and causes foreign bills to sell at a premium, must equally increase the price of all commodities.* And hence, whatever might be the amount of the premium, which the exporter gained by the sale of the bill, drawn on his correspondent abroad, it would do no more than *indemnify him for the enhanced price of the goods exported.*

Mercantile operations are in such cases conducted precisely as they would be, if the exchange was really at *par*; that is, by a comparison of the *real* prices of commodities at the Cape and abroad,—meaning by real prices, the prices at which they would be sold, *provided* there was no depreciation of the currency. If those prices are such as to admit of exportation, or importation with a profit, the circumstance of the *nominal exchange* being favorable or unfavorable, will make no difference whatever in the transaction.

Again, " suppose for instance the currencies of the Cape and London being in their *due proportions*, and therefore the *nominal* exchange at *par*, that broad cloth which can be bought in London for 50*l.* will sell here at 100*l.* or 500 rix-dollars. The importer immediately orders his correspondent abroad to send the cloth, for the payment of which he purchases for 50*l.* or 250 rix-dollars, a foreign bill in the Cape market; and on the sale of the consignment for 100*l.* or 500 rix-dollars, he will derive a profit amounting to the difference between 50*l.* or 250 Rds. and the expense attending the import.

" Now, suppose the same transaction to take place without any alteration in the scarcity or abundance of cloth at the Cape and London; but that the currency of the Cape has been so augmented, as to be depreciated to half its value, the *nominal* exchange will then be 100 per cent. against the Cape, and the importer will not be able to purchase a 50*l.* foreign bill for less than 500 rix-dollars. But as the prices of commodities here, will have risen in the same proportion as the money has been depreciated, he will sell his cloth to the Cape customers for 200*l.* or 1000 Rds. and will as before derive a profit, amounting to the difference between 500 Rds. depreciated, or 250 Rds. estimated in undepreciated money, and the expenses attending the import.*

The same instances might be put in the case of a favorable exchange; and it would be seen in the same manner, that *nominal* prices and the *nominal* exchange being *alike dependant on the depreciation of currency,* whatever apparent advantage might be derived from the former, would be counterbalanced by a loss on the latter, and *vice versa.*

It appears, therefore, that fluctuations in the *nominal* exchange have no effect on export or import trade. A fall in the *nominal* exchange obliges the country to which it is unfavorable to expend a larger *nominal* sum in discharging a foreign debt, than would otherwise be necessary: but it does *not* oblige it to expend a *greater real value.* The depression of the nominal exchange can *neither exceed nor fall short* of the *comparative depreciation* of the currency. If the depreciation of Cape currency amounted to 100 or 1000 per cent. the nominal exchange would be 100 or 1000 per cent. against the Colony; and we should be compelled in all our transactions with foreigners to give them 20 Rds. or 100 Rds. for what might otherwise have been procured for 10 Rds. But as neither 20 Rds. nor 100 Rds. of paper depreciated to the extent of 100 or 1000 per cent. would be more valuable than 10 Rds. of undepreciated paper, payment of a foreign debt might, it is evident, be just as easily made in the one currency as in the other; and mercantile transactions would, in such circumstances, be conducted exactly as they would have been, had the currency been undepreciated, and the nominal exchange at par.*

If the nominal exchange were to become unfavorable to a country which had entirely discarded the precious metals from its circulation, the fall of the exchange could have no effect on the export and import of bullion, more than of any other commodity. In this case, the *price* of all sorts of commodities, and of *bullion* among the rest, would be increased precisely *according to the depreciation of the currency;* and the merchants who should, in such circumstances, attempt to export bullion, would find that its *increased price in the Cape market* would be exactly equivalent to whatever premium they might gain by the sale of the bills drawn on their agents abroad for its price †

In fine, I consider it to be an incontrovertible fact, that un-

* M'Culloch on the Exchange. † *Ibid.*

til 1820, when there was a *nominal* rise in the exchange of from 120 to 130 per cent. above par, the balance of payments was generally in favor of the Colony; and that the discount or apparent depression of the exchange, arose from the excess of the Colonial currency, and its consequent depreciation.—But although I consider the real depreciation of the currency, at the period in question, to have been about 130 per cent. it is not to be inferred, that this was always the measure of depreciation: a variety of causes combined to produce extreme fluctuations in the exchange, independent of a balance of payments, or depreciation of the currency; but these fluctuations during the year, are chiefly owing to the competition for bills being greater at one period of the year than another; to an injudicious system of banking; and to other causes, some of which have been already explained. It is evident, too, that *injudicious* competition for bills, may arise, even though the supply should be co-extensive with the demand. Those who have money to send, and those who have money to receive, know not how much the one has to pay, or the other has to receive, nor do they always know how to find one another.—There are no Bill-brokers or Exchange-brokers to perform the function of bringing them together, or rather to act as the medium between them. Were the Merchants to nominate one member of their own body to act as their General Bill-broker, and neither to purchase or sell bills, but through his agency, —there would be no *fluctuation* similar to those witnessed every year—the premium on the exchange would seldom exceed the amount of depreciation by above 10 per cent.— in other words, taking the depreciation at 130, the premium would seldom or never exceed 140.

From these considerations, and on the general principles above enumerated—the assumption of a constant and accumulating balance of payments against the Colony, and by consequence, an accelerating premium on the *real* course of exchange to the extent of 200 per cent. appears to be destitute of even a shadow of truth or possibility.*

* That the course of exchange with other countries is not determined on the principle of free competition, nor with reference to the ordinary principles which ought to regulate the commercial dealings of one country with another, is evident from the notorious fact, that the exchange with India is regulated, in most instances, on the principle of a monopoly. The Colony incurs an annual debt to India of about 1,000,000 of Rix-dollars, which must be paid with bills, either on England or on India. Now the bills drawn by the Indian gentlemen residing at this place, are the only direct *media* of payment. These bills may amount, perhaps, one year with another, to 500,000 Rix-dollars; and it is evident, that under

How far the principles above developed accord with the recognised doctrines of Exchange, as enunciated by the most esteemed writers, may be ascertained by a reference to the article "Exchange," in the Supplement to the Encyclopædia Britannica, of which I believe Mr. M'Culloch is the author:—"Fluctuations," he observes, "in the nominal exchange, have no effect on foreign trade. When the currency is depreciated, the premium which the exporter of commodities derives from the sale of the bill drawn on his correspondent abroad, is only equivalent to the increase in the price of the goods exported, occasioned by this depreciation. But when the premium on a foreign bill is a consequence not of a fall in the value of money, but of a deficiency in the supply of bills, there is *no rise* of prices; and in these circumstances, the unfavorable exchange undoubtedly operates as a stimulus to exportation. And hence an unfavorable *real* exchange has an effect exactly the same with what would be produced by granting a bounty on exportation equal to the premium on foreign bills.

"But for the same reason that an unfavorable *real* exchange increases exportation, *it must proportionably diminish importation.* When the exchange is *really* unfa-

all circumstances, the exchange ought, if determined on equitable principles, to be in favor of India. Yet such is the effect of monopoly and of combination, that the exchange with Calcutta, is often from 20 to 40 per cent above par. The slightest reflection must satisfy the reader, that but for the advantage which the *agents* possess through the medium of the Indian community, (who never think till too late of bringing with them bills on England,) they would have to pay their debts to India, with bills on England. Thus, when in Calcutta, the exchange with England is 1-11, or about 10 and a half Rupees to the pound sterling, and in the Cape, 15 Dollars per Pound sterling, Indian gentlemen cannot obtain more than 105 Rix-dollars for a bill on Calcutta, for 100 Sicca Rupees. On every principle of equity, the exchange with England, should regulate that with Calcutta. It is not very *generous* to take advantage of the Indian gentlemen, because, in most instances, they are obliged to draw on India.

According to the present exchange with England, (November), 1450 Rix-dollars is equal to £100 sterling. In Calcutta, 1060 Rupees will buy a bill for £100. It is evident, therefore, the exchange with Calcutta, should not exceed the difference of interest and commission chargeable in negociating bills, first in this Colony, and afterwards in Calcutta; allowing three months from this Colony to Calcutta, and six months from Calcutta to London, with bills payable at three months after sight--in all, twelve months, with six per cent. commission, and four per cent interest, there should be a difference of only 10 per cent in the price of bills on England and India respectively. Accordingly, when the exchange with England is per £100, 1450 Rix-dollars, equal in Calcutta, to 1060 Rupees, the exchange with Calcutta ought to be 1060 Rupees plus 10 per cent, or a bill for 1166 Rupees, ought to sell in this Colony, for 1450 Rix-dollars, which is equivalent to 125 Rix-dollars for 100 Sicca Rupees. I would, therefore, warn Indian gentlemen, who may come here, either to bring with them bills on England, or to have authority to draw bills on the London Houses, connected with their agents in India—by which the drawer will save, at least, 1000 Rix-dollars for every 6000 that he expends.

vorable, the price of commodities imported from abroad must be so much lower than their price at home, as not merely to afford, exclusive of expenses, the ordinary profit of stock on their sale, but also to compensate for the *premium* which the importer must pay for a foreign bill, if he remits one to his correspondent, or for the discount, added to the invoice price, if his correspondent draws upon him. *A much less quantity* of foreign goods will therefore suit our market, when the real exchange is unfavorable, and fewer payments having to be made abroad, the competition for Foreign bills will be diminished, and the *real* exchange rendered proportionably favorable. In the same way, it is easy to see, that a favorable *real* exchange must operate as a *duty* on exportation, and as a bounty on importation.

" It is thus that fluctuations in the *real* exchange have a *necessary tendency to correct themselves.* They can NEVER, *for any considerable period,* EXCEED the expense of transmitting bullion from the debtor to the creditor country; but the exchange cannot continue either *permanently* favorable or unfavorable to this extent. When favorable it corrects itself, by restricting *exportation and facilitating importation;* and, when *unfavorable,* it produces the same effect, by giving *an unusual stimulus to exportation,* and by throwing obstacles in the way of importation. The true PAR forms the centre of these oscillations; and although the thousand circumstances which are daily and hourly affecting the state of debt and credit, prevent the ordinary course of exchange from being almost ever precisely at *par,* its fluctuations, whether on the one side or the other, are confined within certain limits, and have a *constant tendency* to disappear."*

* I cannot allow the opportunity to pass, of expressing my surprise, that the Merchants and Agents, who are in the habit of remitting bills to England, drawn by the Commissariat, or by any department connected with the Government, should ever have made it a practice to depòsit their disposable funds in the Discount Bank. It is impossible, that the drawers should not thereby become acquainted with the amount of the funds available, and likely to come into the market, for the purchase of Commissariat Bills, and règulate their acceptances accordingly. The Merchants ought, surely, to guard against a practice so injudicious, and so prejudicial to their own interests. In all that they do, there seems to be a culpable disregard to ordinary precautions. They ought to act with more concert, and unanimity,—I would strongly recommend, that they should never deposit more than 2 or 3,000 Rix-dollars in the Bank, and not even to that amount, if they can conveniently effect mutual transfers and payments, without the agency of the Bank. Let this plan be persevered in for a twelve-month, and they will reap the benefit.

SECTION IV.

MANY errors prevail, from the assumption of a large debt due by the Colony to the Mother Country; and the opponents of depreciation attribute the present premium on the exchange, almost entirely to this circumstance; but no assumption can be more illusory and ill founded. I have ascertained from the most intelligent Merchants in the Colony, who have large transactions with England, that the debt, if any, is by no means so large as is represented by the Author of the " State of the Cape of Good Hope," and that there is not the least foundation for concluding, as has been done, in a vague and indefinite manner, (by individuals who cannot point out a single instance in proof of these assertions) that the Merchants at the Cape are deeply involved in debt to their constituents in England.

When so important a fact as the depreciation, or non-depreciation of the currency was involved, the *assumption* of a constantly accumulating debt against the Colony, ought to have rested on something more than a vague and gratuitous assumption of the fact to be proved. It is asserted, that there has been great over-trading in the Colony, because the revenue from the imports in the year subsequent to 1814, exceed that of the previous years; whence, without any reference whatever to the different rate of duties levied at the two periods, it is most erroneously contended, that the imports have far exceeded both what they formerly were, and also the amount of exports in bills and produce.

In point of fact, the principle on which the import trade with England is conducted, must preclude any increase or accumulation of debt. One-half of the goods are sent out on commission, at the risk of the Merchant in England who exports them. The Consignees receive from 5 to 10 per cent. and sometimes a fixed salary proportioned to the proceeds. The balance is remitted to England.

Now it is obvious, that whether there be a profit or a loss, the gain accrues to the Merchant in England; but if there be a loss, it is a loss to him, and not a debt against the Colony. As we observe, for a series of nine years, that the goods imported continue at nearly their former average amount, we have good grounds for concluding, that had the goods sold at a loss, or if on the average of one year with another, an actual loss to any extent had resulted, the importation would have ceased till the supply was so limited as to command prices sufficient to cover the prime cost and charges. We do not, however, perceive any falling off in this respect, and hence it is perfectly reasonable to conclude, that on the whole, the remittances were such as to yield the ordinary profits of trade—at all events, whatever losses might have accrued, must necessarily have fallen on the home exporters, and not become a debt against the Colony.

Whatever then may have been the result, it is evident that no debt could have accumulated against the Colony; and that the means of remittance have at all times been fully adequate to effect the payments, I shall hereafter shew: and indeed this is a necessary corollary from the preceding fact; for if the *real* depression of the exchange had been so unfavorable as is indicated by the depreciation of the currency, the Merchants in England must have been annual losers, a fact incompatible with a continued importation. For no mercantile house will continue year after year to sell its goods for a less price than it paid for them. A man may burn his fingers once by accident or experiment, but he will not repeat it a second time.

The foregoing facts relate to the argument as connected with goods not imported on commission, and as they are indubitable, and the result of personal inquiry, the deductions seem to be equally unquestionable. In regard to commodities commissioned by the Merchants in the Colony, on their own account and risk, the same results evidently follow. Many of the Merchants too (and many now retired) have acquired competent fortunes, realized during that period in which it is asserted so much debt accrued in England against the Merchants of the Colony. These facts appear to my mind quite irreconcilable with one another. All have not made fortunes, it is true; but it is notorious that many of those who imported goods on their own account, have made considerable fortunes, which could not have been the case if they had been in debt to England, or if English goods sold below their prime cost, or if there had not been the means of remittance to the full extent required. Others again, who did not apparently realize fortunes, continue still to import and obtain credit, which would not be the case if debt had annually been accumulated against them. In short, independently of the absence of any ascertained *data,* on which to ground the hypothesis of an enormous debt, accumulating annually against the Merchants of the Colony, since the year 1806, all the facts here presented to the reader, tend to a very different, if not an opposite, conclusion.

There is, apparently, a still more important error which prevails. It is said that the absolute amount of debt against the Colony, would determine the degree of depression to which the exchange should in general be liable. In other words, the greater the debt, the greater the premium in favour of sterling money. No conclusion, however, can be more erroneous. According to the true and established principles of commercial exchange, it is not the absolute *debt* of one country to another that determines the rate of exchange; but the actual average *demand* for bills *at the time,* compared with the actual or existing average supply: by demand I mean the *power* as well as the *will* to purchase bills.

The debt, for a length of time, may be very great; but *unless there exist the means of paying that debt,* by purchasing bills on the creditor country, it is obvious that the rate of exchange cannot be materially or permanently affected. Let us admit, for a moment, that a large balance is due by the Colony to England and foreign countries,— what then? Unless the debtors have the *means* at command of paying these debts, as well as the *desire* to dispose of the funds accumulated and unemployed in their hands, the exchange cannot be affected in any degree by such a balance. But the supposition of their *having* these means at command, is incompatible with the fact of an annually accumulating debt, and annually accumulating rate of exchange against the Colony; for on the principles already developed, the exchange would rise only from having the *means* of making average remittances, in *excess* of the average annual debits. Upon this principle, as the exchange has always been rising, we must suppose the debt due by the Colony to have existed from 1806, and to be constantly decreasing, in consequence of the demand for remittances to be made in *excess* of that due for the annual imports, which is a contradiction in terms, and involves an absurdity. I have never heard any well-informed person, or any person who could know much in detail on the snbject, assert that the Colony has at any time been deeply in debt to England, and they who assert it, on being interrogated closely, can give no satisfactory grounds for advancing such an assertion. These assertions are in general founded on vague and indefinite rumour; and they can scarcely point out one individual, or one mercantile house, deeply involved in debt to English creditors. The mercantile houses, and community in general, are notoriously in circumstances which argue strongly against the existence of a debt on their part to any considerable amount. One or two houses, indeed, who entered too much into speculation, have failed; but their failure would rather cancel than establish a debt against the Colony.—People often talk of the debt of the Colony, without attaching any precise or determinate meaning to the term. If there be any debt, it must be on the part of the mercantile community; it must be due by one or more individuals extensively concerned in the import trade; but I have already shewn how improbable it is, if not impossible, that such a state of things should exist; and if it does, it must arise from total inability to fulfil engagements, that is, from no funds being in existence sufficient to defray this debt, consequently thère can be no increased demand for bills wherewith to discharge it, a conclusion at which we arrived from another process of induction. The truth is, that almost all the mercantile houses in the Colony are branches of more extensive mercantile establishments in London, and other parts of England, and the resident members in each country are co-partners and co-sharers in the profits of the import and export trade. The home-resident partner *selects* investments to be disposed of by his partner in the Colonial market. The Colonial Wine Merchant conducts his business in the same manner. Instead of the absurd and ruinous practice of remitting his wines to a broker, as is sometimes done, he consigns them to his partner in business, whose interest it is to find the most advantageous markets.

A very great, if not the principal, source of the errors into which practical merchants, and the majority of writers on the subject of exchange have been betrayed, appears to have originated in their confounding together the sum which imported commodoties are worth in the home market, with the sum which they cost in the foreign market. It is obviously, however, by the amount of the latter only, that the balance of payments, and consequently the real exchange, is influenced. "A cargo of iron, for example, which had been bought in Gottenburg for 1,000*l.*, might be worth 1,400*l.* or 1,500*l.* when imported into England: but the Foreign merchant would not be entitled to draw a bill on London for more than its original cost, or 1,000*l.* It is clear, therefore, even on the slightest consideration, that the circumstance of the value of the imports, exceeding the value of the exports, does not authorise the conclusion, that the balance of payments is unfavorable. A favorable, or unfavorable balance depends entirely on the fact, whether the sum due to foreigners for commodities imported from abroad, is less, or more than the sum due by them for commodities imported from abroad—is less, or more than the sum due by them for the commodities they have purchased; but it has nothing to do with the prices which may eventually be obtained for the imported or exported commodities."

The great object of the mercantile system of commercial policy, a system which still continues to preserve the ascendency, in this, and in every other country in Europe, is, to create a favorable balance of payments, and, consequently a favorable real exchange, by facilitating exportation, and restricting importation. It is foreign to the object of this article, to enter into any examination of the principles of this system, except, in so far as they are connected with the subject of exchange; but we hope to be able to shew, in opposition to the commonly received opinions on the subject, that in every country carrying on an advantageous commerce, the value of the imports must always exceed the value of the exports: and that this excess of importation has not, in ordinary cases, the least tendency to render the real exchange unfavorable.

It is clear, that there could be no motive to export any commodity, unless the commodity which it was designed to import in its stead, was of greater value. When an English merchant commissions 100 pipes of Wine, he calculates on its selling for so much more than its price in the Cape, as will be sufficient to pay the expense of freight, insurance, &c.; and to yield, besides, the common and ordinary rate of profit on the capital employed in making the transfer. If the Wine did not sell for this sum, its importation would obviously occasion a loss to the importer. No merchant ever did, or ever will export, but with a view of importing a greater value in return. And so far from an excess of exports over imports, being any criterion of an advantageous commerce, it is quite the reverse; and the truth is, notwithstanding all that has been said and written to the contrary, that unless the value of the imports exceeded the value of the exports, trade could not be carried on. Were this is not the case—were the value of the exports always greater than the value of the imports, merchants would lose on every transaction with foreigners, and the trade with them would either have no existence at all, or if begun, would have to be speedily relinquished.

In England, the rates at which exports and imports are valued, were fixed so far back as 1696. But the very great alteration that has since taken place, not only in the value of money, but also in the real price of most part of the commodities produced in this, and other countries, has rendered this official valuation of no use whatever as a criterion of the true value of the exports and imports. In order to remedy this defect, an account of the real, or declared value of the exports, is annually prepared and laid before parliament; but even this is very far from accurate.

If perfectly accurate accounts could be obtained of the value of the exports and imports of a commercial country, there can be no manner of doubt, that in ordinary years, there would be always an excess of imports over exports. The value of an exported commodity, is estimated at the moment of its being sent abroad, and before its value is increased by the expense incurred in transporting it to the place of its destination; but the value of the commodity imported in its stead, after it has arrived at its destination, and, conseqnently, after its value has been enhanced by the costs of freight, insurance, importer's profit, &c.

"Thus it appears, that the excess of exports over imports, instead of being any proof of an advantageous commerce, is distinctly and completely the reverse;—that a commercial country may, and almost always does, import commodities of a greater value than its exports, without rendering itself indebted to foreigners."

In the preceding Section, I endeavoured to trace the effects, which variations in the value of the currencies of countries maintaining an intercourse together, have on the exchange—I have there stated, that, "the exchange of the transfer of bullion from one country to another, constitutes the limit, within which, the rise and fall of the real exchange between them must be confined."*

Hence, even admitting that the value of the imports exceeded the value of the exports, the unfavorable premium could not possibly exceed this limit. European importation could not possibly *diminish* the value of the currency, nor could it *raise* the price of bullion greatly above the limits of a real premium.—This is a well established doctrine;† for whatever may be the expense of sending bullion, the real premium can never exceed it for any length of time. In whatever proportion the *nominal* exchange may exceed this premium,—if the real cost of transmitting bullion, including freight, insurance, and all other charges, be 10 per cent. then, if while the exchange is against the Colony, and the nominal premium is 100 per cent. the currency is assuredly depreciated 90 per cent.—On the other hand, if the exchange be in favor of the Colony, and the nominal premium be 100 per cent. it is equally certain, that the paper is depreciated 110 per cent." It should ever be remembered, that scarcity implies intensity of demand compared with the supply. If bullion were in demand, *i. e.* if a *real* high price were offered for it, it would soon find its way into the Colony, and be used as a remittance, if necessary; but "it is impossible," as is justly observed by Mr. M'Culloch, "that *any country* should be able for any length of time, to possess more or less bullion—or to import or export a greater quantity of bullion than would be necessary to preserve the value of bullion (in *this* Colony) in its *proper relation* to the value of bullion in *other* countries,—or, which is the *same* thing, to have the *real* exchange *either* highly favorable or *unfavorable*." In short, bullion cannot be of *more value* here, than in other countries; to assert that it has risen in *real* price 200 per cent. is a contradiction in terms.

They who contend for the *fact* of a heavy debt against the Colony, commencing with 1806, have most unaccountably lost sight altogether of these most important considerations. The revenue derived from the imports since 1814, exceeds that realized during the preceding years; and hence it has been concluded, that the imports *also* must have doubled,—and taking this *fact* to be *proved*, it is

* M'Culloch, on Exchange. † *Ibid.* also Ricardo, Mill, &c.

assumed, as a consequence, that there has been great over-trading:—hence the losses,—hence the debt. In advancing so inconsiderate an assertion, it has been entirely forgotten, that the duties in the latter period are just doubled, since 1814. The annexed table exhibits the Custom-house revenue returns, from 1806, to 1822. They are not much to be depended upon; yet it is on such data, that the opponents of depreciation found their strongest arguments for a continued balance of payments. It is a matter of surprise, that men conversant with commercial details, should have been led away by so erroneous a standard. *Custom-house returns are altogether unfit, to represent the balance of the mercantile payments from one country to another;* but they are "good authorities for ascertaining the *comparative* extent of business, from year to year."

Statement of the annual revenue, derived from commodities imported into the Colony, beginning with 1806, and ending with 1822.

Years.	*Revenue. Rix-dollars.*	*Premium on the Exchange.*	*Pounds Sterling.*
1806.	137,170.	25.	21,947.
1807.	81,447.	30.	12,530.
1808.	64,138.	25.	12,827.
1809.	39,283.	20.	6,547.
1810.	84,937.	25.	13,590.
1811.	77,797.	45.	10,730.
1812.	92,661.	60.	11,582.
1813.	153,719.	65.	18,632.
1814.	265,466.	80.	29,496.
1815.	277,056.	80.	30,784.
1816.		93.	27,100.
1817.	283,365.	125.	25,630.
1818.	302,918.	130.	26,340.
1819.	263,135.	115.	24,477.
1820.	275,070.	125.	24,451.
1821.	313,198.	145.	25,507.
1822.	336,940.	175.	25,504.

But though the above statement cannot be supposed to afford accurate data, on which to ground certain conclusions, it is sufficiently correct to show, that the charge of *over-trading, since* 1814, is groundless. If there has been over-trading since that year, there must have been over-trading every year since the capture of the Colony.

The following statements of the exports and imports, for the 18 years ending with 1824, render superfluous all deductions grounded on the above statement.

"It would be important," says a writer in the *South African Chronicle* of the 2 Feb. 1825, "to notice further the financial arrangements during this short occupation of the Dutch; but it is desirable to remark, that after the second capture by the English, in January, 1806, although the paper currency of 2,166,000 was in comparison with the trade, commerce, and population of the colony on that day much greater, than 3,166,000 now in circulation, are to the trade, commerce, and population of the present moment; yet such is the paramount and irrésistable effect of an equality of export and import acting on exchange; such the inefficacy of all fortuitous circumstances resulting from excess of rix-dollars, want of another bank, &c. &c. that in the four following years 1807, 8, 9, 10, the exports having nearly equalized the imports. The imports being 1,673,664 and the exports 1,408,412, the exchange fell to 22 and a quarter, being 2 and 3 quarters per cent. less than the ratio of the late Dutch Government. Now, Mr. Editor, mark what follows, and then deny the conclusions.

"In 1811 to 1814 inclusive, by the confluence and rivalry of so many enterprising British subjects, the imports rose to 6,393,018 Rds. and the exports 3,695,062, making an excess of imports, of 2,697,956. The average exchange marching *pari passu*, rose in favor of England to 80 per cent.

"In the next quadrennial period 1815 to 1818, the imports amounted to 17,065,387 Rds. and the exports to 9,983,070 Rds. leaving an excess of imports to 7,081,417, and the exchange risen to 110 per cent.

"In the four following years, 1819 to 1822, the imports were 16,457,313 Rds. exports 9,630,197, being a surplus import of 6,827,116, and the exchange at 140 per cent.

"The two remaining years, 1823 and 1824, will give an import of 7,986,228 Rds. and export of 5,300,633, leaving a surplus import of 2,685,596, and an exchange of 150 per cent. at which rate it may possibly remain, for even gold has a value beyond which it becomes unmarketable. During this last average period of two years, the circumstance of an extra £30,000 sterling drawn by the Governor on the treasury, had the temporary effect of lowering the exchange to 120 per cent. shewing that an abundant export in whatever shape it may come, regulates the exchange on England.

Dull, tedious, and uninteresting as these details must prove to a lively reader, it is imperative on the writer to explain the data on which he forms his opinions, nor has any thing he has heard or read been of force sufficient to shake his belief; that after all the theories about paper circulation, sterling payments, &c. &c. have vanished into air, the state of exchange will be found mainly, if not wholly, to be directed by import and export. In stating the exchange in the period in which the year 1814 is included, no reference was had to the issue of 500,000 additional rix-dollars by Lord Caledon. That this creation made with a view to assist a supposed insufficiency of curreney for the internal trade of the colony, was a mistaken method of relief cannot be denied and *pro tanto* acted unfavourably. A second similar issue in 1814 aggravated the evil, and thus 1,000,000 Rds. were added to the existing currency; but this last 500,000 Rds. were ordered to be destroyed on its repayment, and thus gradually reduce the circulation to a sum exceeding only by 500,000 Rds. that considered to be necessary by the Dutch, at a period when Spanish dollars to a large amount, and gold and silver coin, were in general use by a population not exceeding 75,000."

The fallacious results deduced from the above *data* may be shown by the following analysis.

In the four years ending with 1810, the imports are stated at 1,673,664 Rds. equal (at 6 Rds. per pound,) to 278,944, or annually to 69,736*l.* Mr. Milburne in his "Oriental Commerce," states the imports in 1806-9 inclusive, at 880,000*l.* or annually 220,000*l.* It is difficult to reconcile these two statements, and though it may be granted that the returns to parliament, whence Mr. Milburne derived his information, were, as all such documents necessarily are, inaccurate and defective, yet it seems incredible that the estimates laid before parliament, should be so grossly incorrect; indeed there is every reason to believe that the import of British and foreign manufactures, between 1806 and 1811 were as great as between 1811 and 1814. I cannot come to any other conclusion than that the anonymous writer just alluded to, has either been deceived, or has given an estimate founded on partial or garbled documents. The statement we know to be an official one; but there is reason to believe, that there are no *records* of the imports prior to 1810-11; since that period they are to be depended upon, as we may trust to the punctuality and accuracy of the Custom-house Officers. If however we adopt the statement given us by the anonymous writer, the result would be still more unfavourable to the view which he has taken of the subject, since the *excess* of exports above imports would be greater, than if grounded on Mr. Milburn's statement. However, I shall adopt the latter, because it appears more consistent with facts.

			ANNUALLY.		£	£
Imports	1806-10	in 5 years,	Rds. 1,310,844,	*a* 6 per £,	218,474	1,092,370
	1811-14	4 ——	—— 1,598,254,	8 per £,	199,781	799,124
	1815-18	4 ——	—— 4,266,346	10 per £,	426,346	1,705,384
	1819-22	4 ——	—— 4,114,328,	11 per £,	374,029	1,496,116
	1823-24	2 ——	—— 3,993,114,	12 per £,	332,759	665,518
					Total Imports in 19 years,	5,758,512

EXPORTS in PRODUCE.—ANNUALLY.

Exports	1806-10	in 5 years,	Rds. 352,103,	*a* 6 per £,	58,684 ...	£ 293,420
	1811-14	4 ——	—— 923,765,	8 per £,	115,471	461,884
	1815-18	4 ——	—— 2,495,992,	10 per £,	249,599	998,396
	1819-22	4 ——	—— 2,407,549,	11 per £,	218,868	875,472
	1823-24	2 ——	—— 2,650,316,	12 per £,	220,933	441,866
					Total *Produce* exported in 19 years	£3,071,038

The anonymous writer who gives us the above data, does not state whether the amount of the imports includes freight, insurance, and all other charges, or only the invoice prices. We ought not to add to the debit of the colony "profit to be remitted," because, if the goods are shipped to order, the profit falls to the Cape Merchant; if they are shipped for sale on commission, the prices put on the goods *include* the profit to be remitted. To the amount of imports at the debit of the colony, we have, therefore, to add freight, insurance, and all other charges, say, during the war, 15 per cent. and, subsequent to the war, 10 per cent. The account will then stand as follows:

Imports in 9 years, ending with 1814....................		1,891,494
Add 15 per cent. for charges..........................		283,725
Total imports at the debit of the colony, between 1806–15, or 9 years..		3,175,219
Imports in 10 years, ending with 1824,...........	3,866,018	
Add 10 per cent. for charges....................	386,601	
Total imports between 1814-1825 (10 years)..............		4,252,619
Total imports at the debit of the colony, from 1806 to 1824, inclusive..		£6,427,838

"There are grounds for concluding," says a writer in the *South African Chronicle*, who opposes the anonymous writer above quoted, "that our author has under-rated the imports of 1807-11, and the exports of 1815-24. The custom-house returns are mere estimates, and afford no *certain criteria* of the true value of imports. The export of wine averaged 8000 pipes annually, and the prices averaged about 25*l.* making a total export of wine, alone, amounting to nearly 200,000*l.* besides other produce amounting to about 80,000*l.* Subsequent to 1814, the commissariat bills averaged about 120,000*l.*; those drawn by Indian residents, by passengers, and on account of shipping, insurances, &c. could not have fallen short of 100,000*l.* making a total remittance by bills of about 250,000*l.*, and of produce valuable at the lowest estimate of 250,000*l.*, being a total export of 500,000*l.* while the imports did not average more than 400,000*l.* Further it is to be considered, there has been a considerable influx of capital into the colony, being the private fortunes of individuals who have purchased property in the colony. This capital must of course have been realized through the medium of the imports, and is not to be placed to the debit of the colony. There is reason to conclude, however, that the capital thus accruing to the colony was counterbalanced by the remittance of the fortunes of individuals, realized in the puplic service and the mercantile employ. Their fortunes must of course have been remitted through the exports to England, and probably equal the amount of capital brought into the colony by individuals. Again, the exports of produce amount annually to 160,000*l.* but as a considerable proportion of the exports goes to the credit of the home co-partners in the trade, this amount must of course go to the debit of the colony:—in other words, it is sent not in payment of the imports, but as the profit of the colonial trade. Of the whole produce exported, we may perhaps safely allow 25 per cent. to be deducted from the value of the produce thus exported at the credit of the colony." The account will then stand thus:—

Exports in Produce, 1806—1814		755,304	
Deduct 25 per cent. for share of profits of the colonial trade falling to the home co-partners		188,826	
Total exports at the *credit* of the colony at the end of 1814, *exclusive* of bills		566,478	
Total export in 1815—1824	2,315,734		
Deduct 25 per cent.	578,933		
Total export at the *credit* of the colony 1815—1824, *exclusive* of bills		1,736,801	
Total export *in produce* at the *credit* of the colony, exclusive of bills, in 1806—1824		2,303,279	
Balance to be remitted by bills		4,124,618	
Add prize-money remitted in 1808—11		250,000	
Total *to be remitted by bills*			4,374,618
Ditto, ditto, Annually			£230,230

Now, during the first 11 years, ending with 1816, it appears from the Cape Gazette, that the bills drawn by the Commissariat, Ordnance, Victualling, Naval, Prisoner of War, Transport, and other departments, were as follows:—

1806	£360,000
1807	350,000
1808	435,000
1809	336,700
1810	272,500
1811	228,500
1812	233,000
1813	289,000
1814	323,900
1815	275,000
1816	190,000

Total in 11 years.................	3,287,200
In the subsequent 8 years, the Commissariat Bills have averaged about 120*l.* per annum....................	960,000
Total public bills in 19 years..........	4,247,200

Before 1815, the private bills in the market of every description, cannot be estimated at less than 60,000*l.* per annum. Those subsequent to 1814, including bills drawn by the servants of the East India Company on England and India, amounting to about 40,000*l.*; also those drawn by the Missionaries, Shipping, and through other private channels, the exact amount of which cannot be ascertained, but which we may estimate at not less than 60,000*l.* make a total annual export of private bills amounting to 100,000*l.* Hence—

Total amount public bills remitted in 19 years,.............				4,247,200
Ditto, ditto, private,	1806-14	9	....	540,000
Ditto	1815—24	10	....	1,000,000
Total amount of remittances by bills.....................				*£5.787,200*

If we adopt the statement given by the anonymous writer, the exchange would amount to 2,360,000*l.*

Amount of remittances by bills	£5,787,200
To which may be added the specie imported to pay the troops, and re-exported by the merchant....................	250,000
Amount of exports in bills and specie in 19 years...........	6,037,200
Excess of imports to be paid by bills.....................	4,374,618
Excess of exports over imports*	1,662,582

From this statement, it appears that there has been an annual excess of export, above what was required to discharge all claims, including 25 per cent. profit on colonial trade at the credit of Great Britain, amounting to 87,000*l.* per annum. How this sum has been realized, and by whom, it might be curious to enquire; but it demonstrates a fact not often admitted, that the colony adds to the wealth of Great Britain, that is to the riches of her population,—for

* According to the statement of the anonymous writer referred to, the annual imports in 1807—10, did not exceed 70,000, being less in 5 years than that given by Mr. Milburn, by about 700,000*l.*

the whole difference between the gross value of the exports and imports, accrues to individuals who carry it out of the colony with them, or remit it at the credit of others. It must appear evident, then, that the premium on exchange is *not* caused by *over-trading*, that is by importations in *excess of the means of payment*. The following abstract requires no explanation :

	Excess of Imports to be remitted by Bills annually.	Bills in the Market.	Surplus Bills annually.	
1806-10	£159,790	399,000	239,210	fixed premium 25 per Cent.
1811-14	84,310	327,000	242,690	Rate of Exchange 80 per Ct
1815-18	176,747	279,000	102,253	 110
1819-22	155,161	220,000	64,893	 140
1823-24	111,826	220,000	108,173	 180

Thus it appears, that the exchange has been continually rising, notwithstanding that the supply of bills has been always in excess of the demand, for the payment of the balance of imports. From this fact alone, it seems sufficiently certain, that the Government could have had no good reasons for abandoning the original system, of selling the public bills at a fixed premium of 25 per cent. on the ground of a scarcity of bills, by which the Government bills were re-sold at a profit of from 10 to 20 per cent. But more on this subject in the concluding Section.

The population of the colony in 1810, amounted to 81,122. In 1814, to only 84,069, whilst in the subsequent eight years, ending with 1822, it had increased to 122,000, being an increase of 44 per cent. The garrison, during the war, may be estimated at 9,000 men, one year with another, of which 6,000 men were withdrawn : subsequently, there was an increase of 38,000 souls. Further, the increase in the value of the Imports does not exhibit the absolute increase in quantity, because since the peace there has been a great fall in the sterling prices of all British commodities.—In the produce of the soil it is above 70, and in several branches of manufacture above 50 per cent. But the business of the Statistical Inquirer is with the average, which is doubtless from 30 to 40 per cent. on all payments determined by free competition; in other words, in all articles brought in open market. But the quantity of goods imported, was not more than sufficient to supply the increased demand of an augmented population.

Between 1814 and 1821, the slave population had increased from 31,128 to 34,329 souls.—The increase of free inhabitants, including Dutch, English, and foreigners, all of them consumers of British commodities, exceeded within the same period, 20,000.—The Hottentot population had, within the same period, increased from 22 to 28,000.—The absolute increase of population, all classes included, was 38,000 souls. As the Hottentot population are not consumers of British goods, to any considerable extent, we may exclude them in the following estimate of individual consumption.

As has already been stated, the population in 1814 was 84,000 souls, from which deduct 22,000 Hottentots, and there remain 62,000 souls, consuming annually Imports valued at £200,000, thus giving an average consumption for each individual, equal to about three pounds four shillings, (3*l.* 4*s.*)

In 1822-4, the population was 125,000, from which deduct 28,000 Hottentots, and there remain 97,000 souls, consuming, annually, imports valued at about £350,000, giving an average consumption for each individual of not more than three pounds twelve shillings, (3*l.* 12*s.*); but this difference does not indicate the exact increase in quantity of individual consumption, because *sterling prices* have *fallen* at least 40 per cent. The real increase of individual consumption is, therefore, (as 72 to 64, plus 40 per cent.) 52 per cent. in quantity, and only 12 per cent. in *cost*, in reference to sterling value ; but in reference to paper money, the cost has increased 150 per cent. If the rix-dollar had continued to pass in circulation, at the same value as in 1806-10, one and a quarter to a Spanish dollar, or five and a quarter to one guinea, the fall in the prices of English and East India, would have been distinctly perceptible ; but the prices of British goods in colonial currency, has risen about 150 per cent.

In 1806, goods which cost in pounds sterling...£500.
Or, at 20 per cent. premium,............Rds. 3,000.
Now cost (1824), 300*l.* or at 180 per cent. 4,200.

But had the currency retained its original value, these goods would have cost only 1800 Rds. Prices should have fallen 40 per cent. instead of which they have risen in the ratio of 18 to 42, or 133 per cent. to which if be added 20 per cent. the depreciation in 1806-7, we shall have a fall in the value of the rix-dollar in reference to British commodities, exceeding 150 per cent. It is further to be observed, that the opponents of depreciation, in contending for a constant increase of debt against the Colony, have lost sight of one very important fact. The depreciation of paper in the purchase of bills, of bullion, of Spanish dollars, and British commodities, was apparent in 1806-8, before any debt could possibly have been contracted. It is certain, that bills were drawn in that year by the Commissariat alone, on the English Treasury, to a very considerable amount, certainly not falling short of 360,000*l.* as appears from the Cape Gazette for 1806. The exports, though trifling, compared to their existing value, were by no means inconsiderable. Now, if the debt had been accumulating each year successively, from 1806 to 1811, we should naturally expect to see a gradual rise in the exchange during these years. No such thing, the *average* exchange continued at 25 per cent. That the enhanced premium on bills did not originate with the loss of the Garrison in the end of 1814, and the consequent diminished supply of bills in the market, is evident, from the fact, that the enhanced premium originated after the first issue of paper money in 1810, four years before the departure of the Garrison. Yet, in these four latter years, during which period the supply of bills was even greater than in the preceding period, and the average imports had not increased, the nominal premium in favour of bills rose from 25 to 70 and 90 per cent. This rise too was nearly simultaneous with the issue of paper money. The order for the issue of 500,000 paper rix-dollars was promulgated in May 1810; but the first issue does not appear to have been made till the beginning of May 1811, when the premium rose above 40 per cent.

Concluding Abstract of Exports and Imports.

	Imports.	Exports in Bills and Produce, including Specie.
1806-11 (according to anonymous writer)	69,736	
1806-11 Mr. Milburn........................	218,474	 469,524
1811-14	199,781	 442,321
1815-18	426,346	 475,599
1819-22	374,029	 438,868
1823-24	332,759	 440,933

The result appears to be, that the exports in produce and bills, during the nineteen years ending with 1824, have exceeded the Imports within the same period, by a value amounting to the enormous sum of 2,430,341*l.*; or, taking the Imports during 1807-10, at 70,000*l.* instead of 220,000*l.* to 3,180,341*l.**

According to Mr. Milburn, the Imports into the Colony in the four years ending with 1802, amounted to 2,747,835 Rix-dollars, being short of the amount stated by Mr. Barrow, by 3,229,597 Rix-dollars. For,

* A notable discovery has recently been made, of a method for diminishing the consumption of British goods, and, *consequently*, the balance of payments, by the imposition of an *ad valorem* duty on imports! Such improvements are highly creditable to the ingenuity of the discoverers.

According to Mr. Barrow:—

British Goods, on British bottoms, ...		Rds. 2,268,105
India Goods, on do. do.		1,062,084
	Rds.	3,330,189
Foreign Goods, on Foreign bottoms,	448,581	
India Goods, do. do.	192,939	641,520
European Prize Goods, ...	700,633	
India do.	406,085	1,106,718
Value of Produce, Imports, 1799—1802, ...		5,078,427
Prize Slaves, ...		899,005
		Rds. 5,977,432
		or, £1,195,486

Mr. Barrow then gives a statement of the exports in bills and produce, which he estimates at 1,310,185*l.* The expenditure of the Army, he states, at only 180,000*l.* per annum, which, is evidently under estimated; for even now with a garrison, less by 2-3ds. than that of 1800, the bills drawn by the Commissariat, on account of the army, exceed 120,000*l.*—and on Mr. Barrow's own shewing elsewhere, it appears that the expenditure on account of the army alone, exceeded 250,000*l.*; assuming then 230,000*l.* instead of 180,000*l.* we shall have the value of the exports to England and other parts, 1799—1802. ....£1,510,185

Value of Imports, ...	1,195,486
Balance in favor of the Colony, ...	314,699
Annual balance, ...	£78,675

Mr. Barrow then adverts to a *high premium* on bills—having fallen inadvertently into the error of confounding together premium and depreciation.—Under the circumstance of a *large balance* in favor of the Colony, it is almost impossible there could have been a real premium. Elsewhere, indeed, Mr. Barrow adverts to the *depreciation* of the currency in reference to specie; and considering the distinguished abilities of Mr. Barrow, his talents for research, and his intimate acquaintance with the principles of political œconomy, it cannot be supposed Mr. Barrow spoke of *real* premium, arising from *excessive* importations, and the consequent deficiency of bills compared with the demand, a fact indeed disproved by his own statements.

SECTION V.

ON PRICES AND THE EFFECT OF DEPRECIATION ON COMMODITIES AND FIXED PROPERTY.

MR. TROTTER has not given any details respecting prices during the last 20 years; and indeed I believe such *data* are not easily to be obtained. In *general* he evades the subject; but the following *abstract* of some of the statements contained in his essay, will satisfy the reader that he occasionally admitted an "universal rise of *all* commodities."

Speaking of the impolicy of a power being vested in the Government to augment the currency, he observes, that he "cannot admit that the currency is *depreciated* or fallen below its former level, or in fact changed its value, as compared with other commodities; still he will allow that it does not retain the *same degree of efficacy* it possessed formerly;" and elsewhere, that "the system of the Bank was calculated to depreciate the value of the currency,—to *enhance permanently and universally*, *the prices* of foreign and colonial produce,—and to augment the public expenditure;" and "the exchanges will improve with the *increased efficacy* (evidently meaning increased value,) of the currency. Mr. Trotter adverts to "the very great unequalness with which *prices* have of *late years* pressed on the community,—by the *disordered* state of the *currency* and exchanges, as well as the different *measures* (standard of valuation,) in which salaries are paid, part of the civil servants being paid in sterling money, and part in rix-dollars. The efficiency of the latter decrease as *prices increase;*" and "in the purchase of every article of wearing apparel,—nay, in many of the commodities of both consumption and domestic use, *prices have advanced* 100 *per cent.* since 1806, and the evil equally affects the higher order of society;" and he observes, that "the civil servants cannot reap any real advantage from a *depreciated currency,* since it produces a *total subversion of property*. The depreciation of gold and silver ultimately *raises the prices* or *nominal* *value* of the produce of the land, and of all other produce. But, in the present case, *the currency*, in which he (the civil servant) receives his salary, is *depreciated in reference to gold and silver, and every other commodity*." Elsewhere, Mr. Trotter quotes Mr. Thornton to prove what no one disputes, that "the *channel* of circulation can never be too full, because it finds an employment in *an advanced price of goods*." Mr. Trotter elsewhere states some circumstances, which, he thinks, may account for the "rise of prices;" and then adds, "the currency has not sustained any real *depreciation* since 1806, so far as refers to a *fall below its then level*, compared with the *prices of all commodities*." It seems at first sight difficult to reconcile statements apparently so contradictory; for a rise of money prices, is only but another term for "diminished efficacy" in the circulating medium, and the depreciation is used only in reference to a rise in the nominal price of commodities.

The truth is, that the rise of nominal prices originating with the issue of 1,000,000 Rds. is universal, except, where this effect has been counteracted by other causes.

Before 1806, the best meat was procurable for 2 Stivers per lb.—subsequent to the capture of the Colony, owing to the *increased demand* of the numerous garrison, it rose considerably above its *natural* level; but *now* good meat *cannot* be sold for *less* than 6 Stivers per lb. In 1806, there were 2,100,000 Rds. or a *value* equal to 340,000*l.* in circulation; at this period, therefore, we may estimate the depreciation at 20 per cent.—25 being the maximum premium on bills of exchange, and 15 on the purchase of specie or bullion.

We see then, that up to 1811, the rix-dollar continued at nearly its original value. During this period too, the price of wheat (excepting in periods of failure or scarcity) averaged from 40 to 45 rix-dollars per load of ten muids. In the early part of 1806, in consequence of the influx of a numerous garrison, and the consequent scarcity of grain, wheat rose to 80 dollars per load, or 8 dollars per muid; but after the harvest of that year, it fell to its ordinary price.

The Farmers themselves, in the latter end of 1806, represented to Government, that the *lowest* price at which they could afford to supply the Colony, was 40 rix-dollars, as appears from a Proclamation issued by the Governor, in which this fact is distinctly recorded; and we may rest assured, that they did not *under-rate* the limit of price. They represented, that if a price of 40 rix-dollars per load, or 4 rix-dollars per muid, of wheat, was guaranteed, they should be able to supply grain in such quantities at this price, as would in all probability preclude a scarcity, and prevent the necessity of having recourse to foreign markets for any portion of the supplies required for the use of the inhabitants and His Majesty's troops. Accordingly, a Granary was constructed, and it was enacted, that when the market price of corn should fall below 40 rix-dollars, the Grain Committee should purchase the excess at that price, which should be resold when the market price exceeded a certain limit, and the profits applied to defray the annual expences of the Grain Committee, and to the *redemption of the paper money* originally advanced to the Colonial Granary.

This important fact is a decisive proof, that, when the rix-dollar compared to silver and gold, or to the value it was originally issued for, was depreciated 20 per cent. corn could be sold for 4 rix-dollars per muid, or 13 shillings and 4 pence sterling. It is a well known fact, which will not be disputed by any person whose opinion is of any value, that corn (wheat) cannot now be grown at a less price than (100 rix-dollars per load, or) 10 rix-dollars per muid, or 15 shillings, taking the pound sterling at about 13½. The actual fall in the value of the currency, or rise in the paper price of corn, in the standard unit which the paper currency was issued to represent, is no more now than 12 per cent.; or the difference between the sterling prices at the two periods. It appears too, that this nominal rise has occurred at a time when the real prices of food, clothing, and all the implements of production, imported into the Colony, have fallen at least 40 per cent. in sterling valuation, since the termination of the war. On this supposition, therefore, if since 1814, recourse had not been had to inferior soils, and the real wages of labor had not been greatly enhanced, it is clear that as sterling money has risen in value in relation to all home commodities, the price of wheat instead of rising 13 per cent., or from 13¼ to 15, ought to have fallen very considerably. We find, however, that it is 15 shillings, being an actual and real rise in the price of corn since 1807, of 52 per cent. in sterling money, while the apparent rise (10 rix-dollars being the lowest price at which wheat can now be sold) is 150 per cent. making the depreciation of the paper since that period, at 98 per cent, to which, add 20 per cent. depreciation in these years, gives at the present period, a depreciation of 118 per cent. This result may be more clearly stated, thus:—

The rise in the price of corn in paper currency since 1807, is 150 per cent. or as 100 to 40; in sterling money, the rise is only 13 per cent. or, as 13*s.* 4*d.* to 15*s.* per muid. But sterling money has risen in value in relation to all other commodities about 40 per cent. the real rise of price, therefore, in relation to sterling money, is 53 per cent; but the rise in paper currency is 150. Hence the difference 98 per cent. is the depreciation since 1807, which added to 20 per cent. is 118 per cent. the real depreciation.

I may be in error, however, in assuming so great a rise in the value of money, or fall in prices as 40 per cent.* The war produced half its effects in prices towards the year 1806, the use in prices taken in the most comprehensive sense, was in that year full 30 per cent. above the prices in 1792.

From 1806 to 1813, the rise was very rapid, partly from the effect of a non-convertible paper currency, so that in 1813 and 1814, the enhancement was not short of 30 per cent. on the prices of 1806. At present, prices are considered to be 40 per cent. below those of 1813. This is of course to be understood of prices *collectively;* but as British commodities *do not* constitute *all* the elements of the *cost* of producing corn in *this* Colony; and as the prices of these commodities directly affect the cost of producing corn, only, in so far as they enter into the materials of production, and the expenditure of the agricultural classes, that is, the clothing of the labourer, and the implements of agriculture, I may be allowed to limit the influence of this fall of prices to 30 per cent. on the amount of cost in 1807, in which case, there will be a real rise in the price of corn, of only 43 per cent. in sterling money, or in reference to gold and silver. The rise of prices in paper currency being 150 per cent, we thus find the depreciation since 1807, to be 150-43, equal to 107 per cent. which added to 20 per cent. gives the absolute depreciation in 1822, 1823, and 1824, of 127 per cent. How far the rise in the cost of production may be owing to a rise in the

* *Vide* Low on the present state of England, a work replete with most valuable information on every subject connected with commerce, finance, and statistics.

real wages of labor, and to diminished powers of production in the soils last cultivated, is a question on which I may offer some observations in the sequel.

This result seems decisive of the fact of depreciation; it may perhaps be more, or it may be less, according to the extent to which British commodities enter into the capital and expenditure of the Agriculturist; and if it be supposed, that a permanent fall in the prices of British commodities, which enter into the capital and expenditure of the Agriculturist to the extent of 40 per cent. would not affect the cost of production in this Colony, more than 20 per cent. the depreciation will then be 138 per cent. I have stated, that the lowest price at which the farmer can in favorable seasons afford to grow corn, is Rds. 100 per load. In the opinion of some gentlemen, indeed, corn cannot henceforward be sold for less than 120; and the price varies from 120 to 150 Rds.; but the facts already stated, are, it is presumed, sufficient to show, that the Rix-dollar is depreciated, that it will not purchase the same quantity of corn it did in 1806 and 1807, while at the same time, the Spanish dollar (formerly equal to 1¼ Rix-dollars), will purchase now nearly the same quantity it did in that period.*

I am not aware of any objections to the principle on which the foregoing calculation is founded, and the actual depreciation of the Rix-dollar being 128 or 138 per cent. while the average premium on the exchange, is 150 per cent. above par, the difference is the *true* premium or average rate of exchange against the Colony,—supposing that the balance of payments is against the Colony.

The annually increasing population of the Colony, commencing with 1810, kept up the high price of corn, which succeeded to the capture of the Colony. Before that period, that is, between the years 1802 and 1807, wheat averaged from 40 to 50 Rds per load, or 7*l.* to 8*l.* sterling. When the British Forces took possession of the Colony, the want of grain to supply the British troops, as well those of the enemy who had capitulated, was sensibly felt; and with a view to ascertain, whether a high price would not ensure an adequate supply, Government offered 80 Rds per load: the consequence was, that an abundant supply was obtained—every grain of wheat produced in the country was brought to market, and the high price thus obtained, gave a powerful stimulus to the extension of corn cultivation,

* If wheat cannot now be grown for less than 120 Rds. per load, the depreciation of the paper must exceed 150 per cent.

and enabled the farmer to improve his lands, and augment his farming capital. The annual supplies which were formerly brought into Cape Town, averaged not more than 30,000 muids, or about 12,000 quarters. Between 1807 and 1812, the supply averaged 41,000 muids, or about 16,500 quarters. The rapidly increasing population of the Colony, and the consequently augmented demand for corn, naturally forced up prices in a greater degree than would have been the case had the population been stationary. Every increase of population was not met by an immediate addition to the supply, and the demand always exceeding in this manner the average supply, the consumption was necessarily stinted. The effects resulting from these causes, added to occasional scarcities, necessarily operated to keep up prices, far beyond what in ordinary circumstances would have been requisite to maintain a stationary population. In 1815 and 1816, prices seemed to have remained pretty uniform, varying from 70 to 80 Rds., or from 7 to 8*l.* per load. The subsequent influx of Colonists, and the great increase of population subsequent to 1815, and the occasional failures in the crops, operated to raise prices enormously. In 1820, prices again found their level, and averaged from 80 to 90 Rds. per load, between 7 and 8*l.* But in the subsequent years of failure, they rose so high as 250 Rds. They have since come down to 120—and it is generally known that the farmer cannot grow corn in ordinary seasons, for less than 100 Rds. per load of 10 muids. Between 1st January, 1816,* and June 1817, wheat averaged 70 Rds. per load, and for a period of 18, or even 24 months, prices did not vary much from this medium. The seasons too were rather favorable than otherwise, and we are fully justified in assuming, that in 1816, the lowest average price at which the farmers could continue to supply corn, was about 70 Rds.; at this period,

*1816.	*Wheat per Load.*
January,	Rds. 79
February,	71
March,	70
April,	62
May,	69
June,	71
July,	80
August,	75
September,	65
October,	58
November,	63
December,	78
	841 70

1817.	*Wheat per Load.*
January,	Rds. 72
February,	66
March,	73
April,	67
May,	80
June,	85
	443 74

the exchange averaged 90 per cent. or 9½ Rds. were equal in currency to 1*l.* sterling, either in specie or bank-notes. Hence, the sterling price per muid was 14*s.* 7*d.*, being a rise since 1806 and 1810, of 10 per cent. In 1816, money had not risen much in value. Prices began to fall in 1815; but the fall could have had no influence within so short a period, on the cost of production in the Colony; the real rise in the cost of producing corn, was, therefore, 10 per cent.; but the apparent rise in paper, was nearly as 70 to 40, or 75 per cent. from which deducting 10 per cent. we have 65 per cent, the increase of depreciation since 1806, which added to 25 per cent, gives the absolute depreciation of the paper at 90 per cent. in 1816. The nominal exchange being at this time 90—the real exchange with England must have been about par. This result is so perfectly and completely accordant with that deduced for 1822 and 1823, and the facts are so well ascertained, that there can hardly be a doubt as to the question of depreciation. From the preceding facts, it would also appear, that the great rise in the real cost of producing corn of about 30 per cent. took place between the years 1816 and 1822, and we find accordingly, that between these years, there was an increase of population exceeding 34,000 souls, being an augmentation of about 40 per cent. to the preceding numbers. The consequent demand for food, must necessarily have raised the real price of corn, and thus enabled the farmer to cultivate inferior soils at a profit. In *favorable* seasons, therefore, it may be presumed, that a price of about 110 Rds. per load, will be sufficient to keep up the cultivation, provided the demand for corn does not increase. However, that the population is rapidly increasing there can be no doubt, and, therefore, recourse must be had to soils less productive. The demand for corn will, in the first instance, exceed the supply, and the price will rise so as to yield the ordinary rate of profits on inferior soils. This high price of corn is the necessary condition of the supply, and the period probably is not far distant, when the price of corn must rise permanently to 150 Rds. or 10*l*, in order to insure a supply in favorable seasons, unless a change of measures in respect to the corn laws takes place. Restrictions on exportation cannot prevent this consequence, while they are attended with inevitable evils when there happens to be a scarcity.

From June 1817, to November 1819, was a period of great scarcity, the price of a load of grain being in some instances upwards of 300 Rds. The harvest of 1819 was a favorable one, and the following are the average prices after the harvest for each month :—

1819.	November,.. Rds.	108	May,........ Rds.	85
	December, ...	100	June, ...	95
1820.	January, ...	80	July,..........	93
	February, ...	83	August, ...	82
	March,........	82	September, ...	86
	April, ...	80	October, ...	90

The medium is 85 Rds., equal to $8\frac{1}{2}$ Rds. per muid, or 14*s*. 10*d*. sterling, the same price as in 1823, being a rise on that of 1816, of 12 per cent.; but commodities had fallen in price about 40 per cent. and had influenced the cost of production to the extent, say, of 20 per cent. the real rise of price was therefore 32 per cent. but the apparent rise is 85 to 40, or 112 per cent. from which deduct 32 pr. cent. there remains 80 pr. cent. depreciation since 1806, to which add 25 equal to 105 per cent. From this result, it follows, that in 1820, the exchange must have been against the Colony. How far injudicious competition, and the scarcity of bills may have contributed to this result, is a matter of conjecture.

Suppose each Boer or Grazier to sell annually :—

	1800.			1824.	
15 Head of Cattle,	*a* 12 Rds.	180	.. *a* 25	375	
220 Sheep, ...	*a* 2	440	.. *a* $3\frac{1}{2}$ ..	770	
A Waggon load of Soap and Butter, 1,200lbs.	*a* 1 Sk.	300	.. *a* 3	600	
Income, ...		920		1,745	

Outgoings.

2 Waggons, 1,600 Rds. Interest	48	96
Clothing for 8 Persons, *a* 15 Rds.	120	300
Tea, Sugar, &c. &c.	150	375
Powder and Shot, ...	20	50
Rent to Government and Stamp,	25	30
Parochial Assessments, ...	8	20
Contingencies to the Hottentots &c.	80	150
Outgoings, ... Rds.	451	1,021
Annual Savings, ...	469	724
	£. 94 *a* 150 pr Ct.	£ 60

In the above statement, the Parochial Assessments are greatly under-rated. The price of Cattle too is kept down by restrictive enactments.

Comparative View of the Out goings belonging

From Mr. Barrow.

Outgoings.

1800.	*Rds.*		1824.
Price of the opstal or buildings in his Loan Farm,	7,000	.. ..	18,000
50 Oxen, *a* 15	750	.. ..	1,500
50 Cows, *a* 8	400	.. ..	800
12 Horses, *a* 40	480	.. ..	720
6 Slaves, *a* 300	1,800	.. ..	6,000
2 Waggons, ...	800	.. ..	1,600
Furniture, ...	1,000	.. ..	2,000
Implements of Husbandry, ...	500	.. ..	1,200
	12,730		31,820
Interest at 6 per cent., ...	763	.. ..	1,909
Clothing per Slave, ...	90	.. ..	225
Ditto for Family, ...	150	.. ..	380
Tea, Sugar, &c. &c.	100	.. ..	250
Duty on	170	.. ..	300
Contingencies, Wear and Tare,	150	.. ..	300
	1,423		3,364

It is to be noticed, however, that *all* the direct and in-
goings for 1824, and further, that, though in very favor-
general, perhaps the produce does not average more than
will be able to judge of the pressure of taxation, and the

GROWTH OF WINE.

The great increase of production since 1814 will be evident from the following statements. The results here exhibited are incompatible with the assumption of a constant *real* premium on the foreign exchanges, an increasing balance against the Colony. A nation gains not by what it exports, but by what it imports; but if the capital consumed in realising produce for exportation was not replaced by the value of the imports, it is clear that such a trade must soon have terminated; but a *continued* premium in the exchange implies, that a greater value is exchanged for a less productive value.

to the Cultivation of Corn in 1800 and 1824.

Returns.

1800.			Rds.		1824.
300 Muids Wheat,	*a* 4 Rds.	..	1,200	.. 12 ..	3,600
100 Ditto Barley,	*a* 3	..	300	.. 5 ..	500
6 Loads of Chaff,	*a* 32	..	192	.. 45 ..	270
1,000lbs. Butter	*a* 12 Sk.	..	250	.. 3 ..	500
5 Horses sold annually,		..	200	.. 60 ..	300
Returns,		....	2,142	.. .. ..	5,170
Outgoings,		....	1,423	.. .. ..	3,364
Profit,		.... Rds.	719	.. .. ..	1,806
Or 50 per cent.,		.... £.	144	.. .. ..	145

	Outgoings.		*Returns.*
1800. ..	£. 284 12.	.. 1824. ..	144
1824. ..	295	.. ..	145

direct taxes are not included in the above estimate of out-
able seasons, 300 muids of Corn may be raised, yet, in
200 muids, From the above data, however, the reader
effect of depreciation.

Statement exhibiting the number of Wine Stocks, and the quantity of Wine produced annually since 1814:—

	Number of Wine Stocks.	*Leaguers of Wine*.*
1814	17,579,023	7,707
1815	19,004,154	12,583
1816	20,070,797	14,090
1817	20,044,215	9,228
1818	21,543,345	10,511
1819	23,068,854	11,761
1820	23,415,527	13,475
1821	24,490,615	14,765
1822	25,527,365	13,372
1823	25,771,576	19,230

* A Leaguer of Wine is equal to 152 Gallons, or 1 and 1-3 Pipe.

Number of Muids of Grain brought into Cape Town, since 1804.

1804 to 1806	—per annum.	—Wheat	32,000	—Oats	4,100
1806 to 1814	— ditto	— ditto	42,000	—ditto	7,200
1814 to 1821	— ditto	— ditto	43,000	— do.	15,000

The quantity of Wine brought into Cape Town during the eight years, ending with 1822, amounted to 104,300 pipes, averaging annually, about 13,000 pipes: during the nine years, ending with 1823, there were *exported* 69,000 pipes, or annually, 7,666 pipes, which, at 26*l.* per pipe, gives, about 200,000*l.* annually.

Statement exhibiting the number of Wine Farms in the Cape and Stellenbosh Districts, and their value in Colonial Currency, 1823; also an estimate of the capital employed in the Wine Trade.

Growth.		*Rix-dollars.*
376 Wine Farms, according to official valuation,..		5,647,575
5,930 Slaves employed thereon, ...	1,000	5,930,000
11,766 Oxen,......................	25	294,150
2657 Horses,......................	40	122,850
233 Mules,........................	150	42,450
Waggons and Farming Implements, ...		400,000
Fustage for 19,193 Leaguers of Wine and Brandy, *a.* 35 per Leaguer,	....	671,755
Grazing Land for 11,766 Oxen, *a.* 4 Rds. per head per annum, is 470,064 Rds. estimated as Rent, paying 10 per cent. gain on Capital,	....	470,064
Amount capital employed on 376 Wine Farms, containing 23,758,843 Wine Stocks,	......	13,578,844
Add proportion for Capital employed in Lands, not exclusively Wine Farms containing 2,012,734 Stocks,	......	1,252,596
		14,831,440

From the foregoing statement, the following important conclusion is deducible. Assuming 10 per cent. on the whole capital embarked in the *growth* of Wine, we have an annual outlay on the part of the Farmers, of 1,483,144. The Farmers realize 20,317 leaguers of Wine and Brandy, which in order to meet all the outgoings and expenses belonging to the growth and manufacture of Wine, must be sold for 73 Rds. per leaguer, *exclusive* of duties. Valuing the Brandy at 140 Rds. per leaguer, we have:—

1087 Leaguers	Brandy,	*a.* 140 Rds.	......	152,180
19,230 ditto	Wine,	*a.* 69¼	......	1,331,680
				1,483,860

This result accords with the information obtained from other quarters, that the *Farmers* sustain a loss when the Wine does not bring them 80 Rds. per leaguer. It is to be observed, that the Farmer pays on *every* Leaguer of Wine, a duty of nearly 10 Rds., and the cost of production being about 70 Rds., he must obtain 80 to repay the labor and capital consumed in the growth and manufacture.

There is no probability of obtaining during the present season, more than 50 Rds. per Leaguer, and there can be no doubt, that the Wine Farmers will be losers to the amount of at least, 50 per cent. on every Leaguer of Wine.

If, instead of 10 per cent. we assume 8 per cent. to be an adequate return on stock, we shall have the annual outlay in the growth of Wine and Brandy, equal to 1,187,088 Rds., and the lowest price at which a Leaguer of Wine can be sold by the Farmer without a loss, will be 54 Rds.

This sum of 1,187,088 Rds. is, however, only the annual outlay of the capital, and 54 Rds. would merely replace this capital *without any profit* to the grower; but in order that the grower should realize a profit of 8 per cent. on the capital *annually* employed, we must add 8 per cent. to 1,187,088, whence we obtain 1,284,055; and the lowest price at which the Farmer can afford to sell Wine, exclusive of duties, is 58 Rds. per Leaguer, and Brandy 140.

In regard to the extent of surface occupied by vineyards, we can form only an approximate estimate. The number of Wine stocks is 26 millions, and allowing 2½ feet interval, or 6¼ sq. ft. or nearly 7-10 sq. rds. for each Wine stock, we shall have $\frac{26,000,000 \times 7}{4,840} = 3,760$ acres; and taking the annual expenditure in the growth of Wine, at Rds. 1,500,000, we shall have the cost of production, including rent, profit, &c., about 400 Rds. per acre—the produce, 6 Leaguers of Wine—and each farm averaging 10 acres under vines.

With respect to Corn cultivation, taking the whole annual produce of the Colony to be 400,000 muids, we shall have

$\frac{400,000}{10\times4}=$ 160,000 quarters; and as an acre averages about 2¼ qrs. per acre, we shall have 64,000 acres of land in Corn cultivation.

I have estimated the growth of Wheat at only 200,000 muids. This is probably under-rated, though the author of the "State of the Cape of Good Hope" would have us believe that the Colony cannot produce so great a quantity, even in good seasons. During the period of its first occupation by the British, when the population did not amount to half of its present extent, the quantity of Wheat grown, was 138,000 muids—and Barley, 67,000 muids.* It is impossible that the cultivation of Wheat should not have been greatly extended since that period, and if Mr. Barrow's estimate be correct, the returns presented for 1818, must be incorrect.

WINE TRADE.

		Rix-dollars.
13,372	Leaguers old Wine on hand of the Vintage of 1822, ... at 80	1,069,760
	Ten gallons of French Brandy per leaguer.	
880	is 133,720 gallons, ... at 2½	334,300
14,252	Stores and fustage to contain 14,252, ... at 75 A	1,068,900
	7,700 Pipes for the annual shipment, at 35 B	245,000
19,230	Leaguers new Wine, ... at 50	961,500
1,265	192,300 Gallons French Brandy,.... at 2½	480,750
1,088	Leaguers Cape Brandy, ... at 140	152,320
	Stores and fustage to contain	
	19,230 Leaguers new Wine,	
	1,088 Cape Brandy,	
	1,265 French ditto.	
	21,583 .... at 75D	1,618,725
	260 Slaves employed on 32,602 Leaguers old and new Wine, computing 8 Slaves to each 1000 Leaguers, ... at 2000F	520,000
	Waggons with horses and drivers,.........G	50,000
	Contingencies,...........................H	100,000
	Total Capital employed in the Wine Trade,	6,601,255

The above estimate exhibits the whole amounts of fixed and circulating or floating Capital, employed in the Wine

* Barrow's Travels, vol. 2. p. 83.

Trade. But it is only the *interest* of the fixed capital that is annually consumed, and which enters into the cost. In addition to the items A, B, &c. which compose the *fixed* capital vested in the trade, it is also to be noticed, that there is a certain quantity of old wine always on hand. We shall therefore make an allowance for the interest of its value; though it is not to be doubted that the *loss* of interest incurred on old wine, is amply repaid by increased price; a pipe of wine 10 years old will certainly fetch a much higher price than when only one year in the cellars; allowing, however, 10,000 leaguers in store, at 80 Rds. per leaguer, and 10 per cent. interest, there will be (P) 80,000 Rds. to be added to the annual outlay, equivalent to a fixed capital of 800,000. Hence we have fixed capital,

A —	1,068,900
B —	245,000
D —	1,618,725
F —	520,000
G —	50,000
H —	100,000

Fixed Capital,....3,602,625, — at 10 per cent.	360,262
Floating Capital, ...	2,998,630
P	80,000
Leakage and accidental losses and 1-3d. per cent. on 2,998,630, is	89,958
Expenses incident to Sales and Shipments on 20,000 Leaguers, *a* 1 Rdr. per Leaguer.	20,040
Total, Capital annually expended, ...	3,548,850
Profit, 12 per cent., ...	425,860
Total Cost to the Wine Merchant, of 36,870 *Leaguers* of Wine and Brandy, ...	3,974,710

Reducing the leaguer to pipes, by adding 1-3d, we have (35,870+11,957 is) 47,827 pipes of Wine and Brandy, which, including a profit of 10 per cent. prime cost, and the interest of the fixed capital embarked in the trade, cost to the merchant *no more than* 80 *Rds. per pipe*. So much for the profits of the Wine merchants; for I doubt whether *any* Wine is sold for less than 130 Rds. per pipe, while a moiety of it, at least, sells for 200 Rds. per pipe. On an average, the Wine does not sell for less than 150 Rds. per pipe, so that the profits of the Wine merchants must often exceed 100 per cent. on the outlay.

There can be no *material* error in the foregoing statement. No. 1 is a copy of the original, with the exception of some trivial alterations. But for obvious reasons, it is only the *interest* of the fixed capital, which enters into the annual expenditure, and *not* the whole capital. The higher the premium on bills, the more favorable is the trade of the Wine merchant. Thus the quantity of Wine annually exported, is 7,800 pipes, which, including all charges and profits, do not cost more than 85, or 663,000 Rds. The Wine *sells* on an average, for at least 20*l.* per pipe, from which, deduct 3*l.* 10*s.* per pipe, for freight and insurance, there remains at the exporter's credit, 16*l.* 10*s.* per pipe, equal to 128,700*l.* *a* 140 premium, is 1,544,400 Rds.

Latterly, the average prices to the shipper, probably, do not average more than 20 or 24*l.* per pipe; but between 1814, and 1825, a pipe averaged 30*l.* The profits of the trade, must, in general, have been equally great; though sometimes the farmers obtained from 150 to 200 Rds. per Leaguer. There is no prospect, whatever, of Wine again commanding so high a price. The great demand for Wine in 1815, and 1817, induced the farmers to form vineyards on soils of inferior fertility, and not at all adapted to produce grapes to yield a luscious Wine. The consequence is, that no improvement in the manufacture can compensate, in many instances, for the bad qualities of the grape. To produce better Wine, either more capital must be laid out in manuring and fertilizing the soil; or the Wine must be made only from the best grapes, and not from an indiscriminate mixture of good and bad. But it seems impossible to convince the farmers that quantity can never compensate for quality. When one-half of them become bankrupts, the other half will learn wisdom.

The following comparative view of the Out-goings of the Wine Farmers may be useful:—

Out-goings.

1800. "*From Mr. Barrow.*"	*Rds.*		1824.
The first cost of the Estate, ...	15,000	..	35,000
15 Slaves, *a* 300 Rds.	4,500	..	15,000
80 Wine Leaguers, *a* 12 Rds. ..	960	..	3,200
Implements for Pressing, Distillery, &c.	500	..	1,500
3 Team of Oxen, ...	500	..	1,200
2 Waggons	800	..	1,600

Horse Waggon and Team, ...	900	.	1,600
Furniture, Utensils, &c.	2,000	..	4,000
Amount, 1800, ...	25,160		63,100
Interest *a* 6 per Cent. ..	1,509		3,786
3 Sheep per week, for Family use,	390	..	780
Clothing for 15 Slaves, *a* 15 ..	225	..	550
Corn, for Bread, 36 muids, *a* 3	108	..	360
Tea, Coffee, and Sugar, ...	150	..	350
Clothing for Family, &c.	350	..	800
Duties,—Wine and Brandy, on			
120 Leaguers, *a* 3	360	*a* 10	1,200
Wear and Tear, 100 × 20 ..	120	..	300
Amount of Outgoings, ..	Rds. 3,212	..	8,128
Returns.			1824
100 Leaguers of Wine, *a* 30 ..	3,000	60	6,000
20 Ditto of Brandy, *a* 50 ..	1,000	120	2,400
Returns, ...	4,000		8,400
Out-goings, ...	3,212		8,128

Hence it appears, that a price of 60 Rds. per Leaguer of Wine, and of 120 Rds. per Leaguer of Brandy, is barely sufficient to cover the out-goings; and that to place the Wine Farmer in the same circumstances as in 1806, and 1810, he must sell his Wine for about 70 Rds. per Leaguer, free of duty.

It has been asserted, that the unpleasant taste, or *raceness* peculiar to the Cape Wines, arises from the soil; but this appears to be erroneous,—the more general and correct opinion is, that it originates from the incorrigible ignorance and want of care on the part of the Wine Farmer, and often too, from inattention on the part of the Wine Merchant. There is no reason to doubt, that if the skill of the Farmers were equal to their avarice, the Colony might produce as fine Wines as is produced in any part of the world. I speak from experience. There are Cape Wines, Madeira and Pontac, nearly equal, to any that are made in Madeira, or on the Continent. I advert in particular to the Wines of Messrs. Collison and Company, whose Madeiras are of the very best quality, though not one-third of the price of what is esteemed the best Madeira that is brought to India. There is a richness, a mellowness, in the Cape Madeira, to which I have alluded, which the Island Madeira does not always possess. The best Pontac possess a flavour equal to that of the very best Burgundy. It is used in England by the Wine Merchants, to mix with the Port Wine, and would, in most instances, be preferred to the best Port. In mentioning Mr. Collison's Wines, I do so because I have examined only their Wines; but those of Messrs. Hudson & Dixon are not less deserving of eulogy.

I make no doubt that the Wines just enumerated would suit admirably the Indian market. This, if my memory serves me right, was the opinion of Mr. Trotter, and I derive much satisfaction in recording the opinion of one, who was so well qualified to form a just judgment on the subject.

With respect then to Wine, nominal prices have risen at least cent. per cent.; or rather, I should say, that since 1806, the nominal cost of production has doubled. In 1806-10, good Cape Wine was sold for from 30 to 40 Rds. per leaguer, and at these prices the farmer *could afford to grow it without sustaining a loss.* It is certain he cannot *now afford* to sell it for less than 70, exclusive of duties. Since 1806-10; and more especially in 1824, Wine has been sold as high as 250 Rds. per leaguer. Taking the value of the currency in 1806, at 6 Rds. per Pound sterling, and the average price of Wine 35 Rds. per leaguer, we have the cost of a leaguer of Wine previous to the issue of paper money, equal to

	Rix-dollars.	*Sterling Money.*		
		£.	*s.*	*d.*
	35	5	16	8
1824, at 140 per cent. pm.	70	5	16	8
150	70	5	12	0
160	70	5	7	0
170	70	5	4	0
180	70	5	4	0

I do not mean to deduce any conclusion from this circumstance, to corroborate those already obtained from the general rise of prices above exhibited. In the years 1815, 16, and 17, the demand for Wine was so intense, that Wine Farms sold at very exorbitant prices; new vineyards were planted, and a very considerable capital sunk in extending and improving such Farms. The Wine, however, was, with few exceptions, bad; the demand consequently fell off; the colonial and home markets were, and are still glutted; and the same Wine which formerly paid the Farmer 100, will not now sell for 50 per leaguer. It is probable, that 70 would barely cover all the out-goings belonging to the culture of the vines, and the labour and fixed capital embarked in the manufacture. It is clear then, that unless better Wine is manufactured, and a greater demand be established for it, the Farmers will be ruined. Most, if not all of the Farmers, are old proprietors, and have no accurate *data* from which to ascertain the advance of rent, or the ordinary rate of profits, and thence the value of a farm, or of any given quantity of arable land. In this case, the only criterion of the rent (though a very imperfect one) is the annual interest of the sum, for which the Farm is mortgaged, including the interest of that portion of the purchase money advanced by the Purchaser or Mortgagee.

POPULATION AND REVENUE.

In 1806 the population amounted to 75,200 souls, from which, deducting 29,100 slaves, and 19,000 hottentots, there remain 27,100 free inhabitants paying taxes, and contributing directly or indirectly to the revenue. The revenue in the same year was 425,827 Rds. equal to pounds sterling at 6 dollars, 70,971*l.* or about 2*l.* 12*s.* per head (15¼ Rds.) In 1810, the population exceeded 81,000, from which deduct 30,500 slaves, and 20,000 hottentots, and there remain 29,622 free inhabitants paying taxes, &c. The revenue in 1810 was 706,696 Rds. or 117,783*l.* about 3*l.* 19*s.* per head. In 1814 there were 35,000 free inhabitants, and the revenue amounted to 1,076,968, the exchange was about 80, and 9 Rds. was equivalent to a pound sterling. The revenue in sterling valuation was therefore about 119,640*l.* or about 3*l.* 8s. per head, or 31½ Rds. In 1820, the free population exceeded 46,000, and the revenue for the same year amounted to 1,517,606. The premium in favor of sterling money was about 120, or 11 Rds. per pound sterling. The revenue in sterling valuation was therefore

137,964*l.* or about 3*l.* per head, or 33 Rds. In 1823 the free population was 55,000, and the revenue 1,547,671, or in sterling valuation 129,777*l.* or per head, 2*l.* 8*s.* (29 Drs.)

It appears from the annexed table, that since 1817, there has been no *augmentation* to the revenue, while during the same period the sterling salaries have augmented in proportion to the premium on the foreign exchange. Reckoning the sterling salaries at 26,000*l.* the following table exhibits at one view the comparative augmentation of the salaries in local currency.

STATISTICAL TABLE,

No. 1.

		REVENUE.		Taxation. Per Head.		Sterling. Salaries £26,000
Years.	Free Population.	Sterling Money.	Rix-dollars.	Sterling	Rix-dollars.	Rds.
1806	27,200	70,971	425,827	2-12	15½	156,000
1810	29,622	117,783	706,693	3-19	23½	156,030
1814	35,000	119,640	1,076,698	3-8	31½	234,000
1820	46,000	137,964	1,517,006	3-0	33	286,000
1823	55,000	129,000	1,547,761	2-8	29	338,000
Estimate. 1824	57,000	130,000	1,560,000	2-8	29	364,000
1798 to 1802	21,000	75,000	375,000	3-14	18½	

The capital objection to the salaries of any class being paid according to the market rate of exchange is, that, as the real exchangeable value of the public income, does not increase in the same proportion as the depreciation of the paper, consequently, the sterling salaries must bear a greater proportion to the whole revenue, now, than formerly, and thus operate materially to add to the difficulties of the Goverment.

From 1806 to 1820 inclusive, the premium on the exchange with England has been assumed as indicating the limit of depreciation in so far as prices have been influenced. Since 1820 the premium has often greatly exceeded this limit which I estimate on an average at 150: the premium has been so high as 200.

It would appear that the period of highest taxation was that between 1806, 1810, and 1814. The medium is 3*l.* 6*s.* per head, an enormous drawback on individual prosperity.

At present there is no country in the world in which the proportion of taxation falls so heavily on individuals as in England, the proportion paid by each individual being 3*l.* 2*s.* The annexed statement, Table 3, exhibits the proportion of public burdens borne by each individual in the several European states.

The rapid increase of population has apparently had the effect of diminishing the pressure of taxation. With some exceptions increase of national wealth has accompanied increase of numbers. The adherents of Malthus will not readily concede that increase of numbers is necessarily a *cause* of increase of wealth, or that the latter is the consequence of the former; but it may safely be affirmed that, when the same portion of public burdens is distributed over a greater number, the pressure on the individual is necessarily lightened. The medium taxation per head to 1810 was 3*l.* 6*s.* it is now only 2*l.* 8*s.* But the prices of all imported commodities which form at least a *moiety* of individual consumption and expenditure, have fallen 40 per cent. hence, 66*s.* in 1810, was of no more value than 2*l.* in 1824. The real pressure of taxation has therefore not been diminished. It must be considered, however, that a great proportion of the *new* population contribute very little to the revenue; the whole falls upon the older residents in the Cape and Stellenbosch districts, and probably does not fall short of 3*l.* 16*s.* per head. On the free inhabitants of the town, the taxation and other public burdens probably exceed 4*l.* 10*s.* per head.

It appears too, that during the 18 years ending with 1823, there accrued a *surplus revenue* above the expenditure of 1,143,012 Rds. It is to be presumed that this sum has been either remitted to the mother country, or applied to purposes not connected with *Colonial* interests. Indeed it appears, by the account No. 2, that in 1817 and 1818, the sum of 566,777 Rds. had actually been paid to the Commissariat. Whatever was the real state of the matter, the mother country is bound to repay it, inasmuch as a debt to that amount is clearly due to the public, and the Government is bound by every consideration of honor and justice, to acknowledge it either by withdrawing the latter addition of currency from the circulation, or to *borrow* funds with a view to its ultimate redemption.

It is certain that the town taxes bear very heavy on the comforts of individuals. Ordinary houses pay about 150 Rds.

per annum, and they are frequently augmented, without any reason being assigned. These are levied under the sanction of the Burgher Senate, a body sufficiently notoririous, and over whom, it is to be presumed, that the Government exercises a vigilant controul—but no degree of controul can be so effectual as publicity of their proceedings. Let their accounts be properly sifted and laid annually before the public, that we may see how they dispose of their surplus funds, and why these are not applied to the redemption of the paper currency, according to the tenor of Sir J. Craddock's proclamation, dated the 5th March, 1814. That the excessive taxation of this colony, is an insurmountable bar to improvement, is a fact which no man of common sense will deny. The effect must soon be to reduce the revenue, by diminishing consumption and production—an effect which probably is already visible—a *minute inspection* of the revenue accounts of every department, is indispensibly necessary to unravel the mysteries of official irregularity.

The following observations of a gentleman distinguished for those qualifications which are essential to the character of a public servant, and of a wise and amiable man, are peculiarly just and applicable:

"It would seem only reasonable that duties imposed on the colony upon the productions of colonial industry, should, for the most part, be *withdrawn,* and that the colonists should at least not have to encounter, in the shape of a *colonial tax,* any symptoms of discouragement to the early efforts of their enterprise and industry. Considering the *present* state of the colony, I have not been able to discover any new sources of revenue, that would not have the effect of discouraging or restraining the attempts of the colonists to avail themselves of the productions, that either their own industry or the resources of the soil and climate may supply."—Vide Mr. Bigge's Report on New South Wales, page 30 & 87.

I have only to express my regret, that my intended departure for India, prevents me from entering more fully into the subject of the revenue and taxation of this colony.

Return of the Population, Revenue, and Expenditure, of the Cape of Good Hope:—

STATISTICAL TABLE II.

	Population.	Revenue. Rds.	Expenditure annually.	Deficiency.	Surplus, Rds. annually.
1798 to 1801 inclusive	62,000	375,000	325,000	——	50,000
1806	75,145	425,800	381,222	——	44,578
7	76,760	519,000	431,922	——	87,072
8	71,800	745,000	321,600	——	223,400
9	79,900	688,437	703,000	114,600	——
10	81,120	706,700	698,000	——	8,700
11	81,500	672,783	732,200	79,500	——
12	82,400	771,579	808,000	36,300	——
13	83,500	947,000	854,000	——	93,000
14	84,669	1,077,000	1,098,000	21,000	——
15	87,100	1,147,500	1,176,000	28,500	——
16	90,000	1,158,000	1,078,422	——	79,578
17	93,000	1,291,000	1,104,542	——	186,457
18	96,000	1,416,000	1,036,159	——	379,841
19	99,826	1,209,000	1,171,448	——	97,552
20	108,000	1,517,000	1,634,328	117,328	——
21	11d,000	1,463,510	1,249,908	——	213,602
22	120,000	1,549,408	1,317,560	——	231,843
23	122,000	1,547,671	1,632,389	104,718	——
Estimate. 24	125,000	1,450,000			
				501,946	1,645,624
				Surplus	1,143,678

The revenue here stated does not appear to include the funds levied under the orders of the Burgher Senate, which do not fall short of 300,000 Rds. per annum. The public have a right to know what is done with it.

TABLE III.

Statement of the Revenue and Expenditure of the Cape of 1818, including Arrears received

REVENUE.	1817. Rds.	1818. Rds.	1821. Rds.
Land Revenue	71,930	84,730	178,572
Customs	288,365	302,918	313,198
Tythes and Transfer Duties	269,791	328,964	290,130
Stamps	168,214	163,233	150,929
Wine	21,636	16,088	11,224
Port Duties	14,991	17,140	13,443
Post Office	12,025	12,270	22,197
Vendue Masters	154,142	176,629	208,349
Insolvent Estates	16,875	25,655	31,794
Fees	70,196	89,129	92,688
Lombard Bank	103,978	115,453	120,019
Fiscal Fines, &c.	590	2,708	3,041
Commando Contribution	80,274	41,020	700
Printing Office	16,946	19,078	20,024
Advanced to the Agent in England by warrant of the Lords Commissioners of His Majesty's Treasury for the service of the colony in 1818, 2000*l.*	—	22,950	
Total revenue..........Rds.	1,290,969	1,415,968	1,463,510

III.

Good Hope, from 1st January to 31st December, 1817 and or paid within those periods.

	1817.	1818.
CIVIL DISBURSEMENTS.	*Rds.*	*Rds.*
Pay and Salaries of the Civil Establishment....	384,079	503,612
Judicial Establishments....................	248,177	147,429
Medical Establishments.....................	9,954	9,339
Ecclesiastical Establishments.................	40,356	40,030
Pensions..................................	16,689	19,689
Contingencies..............................	698,957	719,691
Fixed.		
Subsistence to sundry persons victualling convicts, &c.	14,795	15,595
Allowance for house-rent....................	5,889	8,145
Allowance to Free School Committee and Field Cornets	2,341	1,398
Incidental expences of civil offices............	13,075	23,026
Judicial offices............................	6,171	20,301
Unfixed.		
Transfer duty and interest..................	2,701	
Buildings and repairs........................	30,620	77,046
Expences in the different departments........	11,379	14,250
Works on Robben island....................	2,184	
Government vessels	11,749	7,648
Miscellaneous and extraordinary charges......	30,658	28,867
Add disbursements by the Agents in England, 1,936*l.* 9*s.* at the average exchange of the year 4,134 9 4 for 1818,	21,688	47,443
MILITARY DISBURSEMENTS.		
Pay at allowances of Colonial Corps.........	210,245	62,266
Pensions..................................	1,281	1,671
Contingent, being for lodging, passage money, and miscellaneous charges	34,3566	3,592
Add disbursements by the Agent in England, 575*l.* 9*s.* 6*d.* at the average exchg. of the year 454 7 10 for 1818,	6,445	5,214
Total Expenditure,...........	1,104,543	1,036,159
Surplus revenue above the nett expenditure of the year, but of which Rds. 90,000 were in advance in 1817, and Rds. 103,636 6 2 1-4 in 1818 to the Deputy Commissary General on the station,	186,426	379,808
Rds.	1,290,969	1,415,968

TABLE IV.

Exhibiting a Comparative View of the Taxation in several States.

	Total Population.	Persons to a sq. mile.	Public Burdens, & generally.	Proportion per Head.
Great Britain—the taxes computed according to the value of money on the Continent,	14,500,000	165	40,000,000	£2 15 0
Great Britain and Ireland	21,500,000	182	44,100,000	2 0 0
England, distinct from Wales ..	11,000,000	232	36,000,000	3 2 0
Scotland, distinct from the Highlands	2,000,000	150	4,000,000	2 0 0
Ireland.......................	7,000,000	237	4,000,000	0 11 6
Holland.......................	760,000	237	1,500,000	2 0 0
France	30,700,000	150	37,000,000	1 4 0
Austrian Empire	29,000,000	112	18,000,000	0 12 4
Netherlands	5,300,000	214	8,000,000	1 10 0
Prussia	10,500,000	100	7,000,000	0 13 4
Bavaria	3,600,000	120	2,500,000	0 14 0
Russia	37,000,000	23	18,000,000	0 9 9
Poland	2,850,000	60	1,200,000	0 8 8
Spain	11,000,000	60	6,000,000	0 11 0
Portugal	3,700,000	90	3,000,000	0 16 3
Anglo Indian Empire	86,000,000	140	21,000,000	0 5 0
Cape Colony . { Free Inhabitants / Slaves, &c......	58,000 / 60,000		130,000,000	2 8 0

TABLE V.

A Statement, shewing the degree in which fixed property has been affected by the depreciation of the Currency, assuming that between the years 1810 and 1822—the premium on the Exchange was a correct Index of Depreciation of the Currency. Suppose that in 1810 a Farm cost 90,000 Rds. or in Sterling value (6 Rds. to the pound) equal to 15,000*l.* The seller having paid 5000*l.* down, and the remaining 60,000 Rds. (10,000*l.*) to be paid by Annual Instalments of 6000 Rds. (1000*l.*) including interest at 6 per cent. on the unredeemed balances, the account would then stand as follows:

	Amount receivable by the Seller if the Currency had retained its original Value.											Value actually received.		
Years.					Interest.		Interest & Instalment. Rds.		Payable by Contract. £	Premium.	Rds.			
1810	Paid		5,000											
1811	Interest on the first balance of		60,000 Rds.	Plus the	Instalment is	3,600	is	9,600	or £1,600	40	7	per £	1,371
1812	Ditto	2d ditto	54,000 —	ditto	———	3,240	—	9,240	— 1,540	55	7-6	—	1,192
1813	Ditto	3d ditto	48,000 —	ditto	———	2,880	—	8,880	— 1,480	65	8-2	—	1,076
1814	Ditto	4th ditto	42,000 —	ditto	———	2,520	—	8,520	— 1,420	80	9	—	947
1815	Ditto	5th ditto	36,000 —	ditto	———	2,160	—	8,160	— 1,360	90	9-4	—	859
1816	Ditto	6th ditto	30,000 —	ditto	———	1,800	—	7,800	— 1,300	100	10	—	780
1817	Ditto	7th ditto	24,000 —	ditto	———	1,440	—	7,440	— 1,240	110	10-4	—	709
1818	Ditto	8th ditto	18,000 —	ditto	———	1,080	—	7,080	— 1,180	120	11	—	644
1819	Ditto	9th ditto	12,000 —	ditto	———	720	—	6,720	— 1,120	130	11-4	—	636
1820	Ditto	10th ditto	6,000 —	ditto	———	360	—	6,360	— 1,060	140	12	—	530
						19,800		79,800	£13,300				£8,744

Hence it appears, that the mortgagee instead of realizing a value equivalent to 13,300*l.* sterling, according to the terms of the contract, has received only 8,744*l.*; and has, by the depreciation of the currency, sustained a loss of 4,556*l.* or nearly 35 per cent. If the instalments had extended to 1224, the loss would have exceeded 50 per cent.; that is, if the instalment had been made payable in 16 years instead of 10.

From the result above exhibited, it appears that the depreciation of the currency has been attended with one consequence, not generally noticed specifically by Writers on Financial and Political Economy. It has lowered, not merely the nominal, but the real value of fixed property. If the demand for estates and fixed property had *continued to increase* this effect might have been counteracted; but as there are more sellers than buyers, the estate which was worth 13,000*l.* may now be sold for 8000*l.*

The seller who wishes to dispose of his estate will be glad if he can obtain what he gave for it, or even something less. If there be two estates, in all respects the same or nearly the same, one of which has come under the circumstances just explained, while the other has remained in the hands of the original proprietor, it is perfectly clear, that the selling price of each will not be respectively 13,000*l.* and 8,000*l.* for there are more who wish to sell than who wish to buy. The proprietor whose estate, purchased under a mortgage of 10 or 12 years, cost him only 8000*l.* will be glad perhaps if he can obtain 9000*l.* But if the proprietor of the other estate wishes to dispose of it, he certainly would not obtain more for it than 9000*l.* the lowest selling price being in this case the regulating principle. I am aware that the case just stated is apparently anomalous, and inconsistent with some received principles—but such has been the effect in this colony. I merely state the fact, my limits not allowing me to trace it in all its ramifications.

Before concluding this section, it may not be amiss to offer some observations on variations of price caused by an altered value of money. Mr. Ricardo states, in a general way, that the rise of price is common *at once* to all commodities. This position was not perhaps intended to be taken literally, as Mr. Ricardo's object was to point out the *ultimate* effects of those variations in the demand for labor, which are for ever disturbing the surface of life.—"The fact undoubtedly is, that the altered value of money does not affect all prices at the same time; but that wide intervals occur, during which one class is compelled to buy *dear*, while they sell cheap, and others have no prospect of indemnity, or of regaining the relative position they once occupied."*

That similar effects would have resulted to the labouring classes in this colony, unless other powerfully counteracting

* Letter to Mr. Peele—Oxford edition, 1819. p. 29--31.

causes had been in operation, cannot for one moment be doubted. We have no data on which to ground any inferences relative to the comparative prices of free and slave labour in former periods. The slaves happily have not increased in the same ratio as the free inhabitants, nor in proportion to the demand for labour; the wages of free labour, therefore, of every description have risen in a considerably greater ratio than that of slave labour; neither is there so great a preference for slave labour among the community, as there was 10 or 15 years back. I should have been gratified, if I could have stated that this change arose from feelings creditable to the moral character of the community; and though I should wish to speak charitably, and with due respect for long established usages and associations, it must not be concealed, that whatever amelioration has taken place in the condition of the Slaves and Hottentots, is entirely owing to the exertions of the British Government, to put down the system of atrocious tyranny which existed under the Dutch Government. Much praise is undoubtedly due to the Colonial Government, for steadily enforcing obedience on the part of slave proprietors, to the instructions issued for the treatment of their slaves; yet much remains to be done, which, without the example and co-operation of the great body of the community, it is almost impossible for the Government to effect. Indeed, I can by no means approve of hasty, violent, and ill-digested enactments for bettering the condition of the slaves; and yet, this is what is sought after by clamorous politicians, who have no experience of life beyond their own limited circle.

When the colony was formerly in our possession, and also subsequent to the last capture, from 300 to 400 Rds. (60 to 80*l.*) was reckoned a good price for a slave; at present a good slave cannot be had for less than 1,500, or about 120*l.* It is certain, that since the influx of free labourers from England, the value of a slave has declined; and indeed this is a necessary consequence of a greater supply of labour. Labour, however, is twice as dear as it is in England, while the price of food is 100 per cent. cheaper than in that country. For a long period to come, there will probably be a great demand for labour, more especially if the ports be permanently thrown open to the exportation of corn.

It is a question whether free labour or slave labour be cheapest. Stewart, Turgot, Smith, and others, agree in thinking that the labour of the slave is dearer and *less productive* than that of the freeman. This position has been controverted by several writers, and among the rest, by M. Say: but it is needless to discuss the subject here.—M. Say however admits, that slave labour is always co-existent with a vicious system of production, and *opposes the introduction of a better plan of industry*:—"The slave and master," says he, "are both degraded beings, incapable of approximating to the perfection of industry, and by their contagion degrading the industry of the freeman, who has no slaves at his command: *for labour can never be honorable or even respectable*, when it is executed by an inferior cast. The forced and unnatural superiority of the master over the slave is exhibited in the affectation of lordly indolence and inactivity, and the faculties of the mind are abused in an equal degree; the place of intelligence is marked by violence and brutality." Travellers of veracity and observation assure us that they consider all progress in the arts in Brazil and other settlements of America, as utterly hopeless, while slavery shall continue to be tolerated; and that those states of North America which have proscribed slavery, are making the largest strides towards national prosperity.

Note.—It is lamentable to think that there should be found men in this colony to defend slavery—it shows more than any other fact, how easily the standard of upright and moral feeling may be degraded by example, and by a prolonged residence amidst a mingled society of slaves and freemen. The truth is, that among a society so constituted, just conceptions of what is great and noble as respects personal character and public institutions, cannot possibly have any practical influence. The existence of slavery is incompatible with that of national liberty and personal dignity of character. It has a decided tendency to lower the tone of moral feeling—not to elevate the character of the slave, but to bring the character of the owner on a level with that of the slave: Moreover, the indiscriminate mixture of the youth of both classes, particularly vitiates the very springs of moral and intellectual perception; and like every other moral evil, slavery has a continual tendency to perpetuate itself by so combining with our nature, as gradually to obliterate the sense of its enormity—it is an evil now acquiesced in as existing by uncontrolable necessity, and which has become so intermixed with the selfish propensities of society, that it cannot be got rid of at once, without many personal sacrifices and public dangers. It is not on this account however, the less to be deprecated—and it is not to be deprecated so much on account of the bondage it imposes on its victims, as on account of its pernicious effects on the habits and feelings of society. It is unnecessary to go into a lengthened discussion to shew that in its origin modern slavery was unjust, and that no subsequent contract or transfer can render that just and valid in a moral point of view, which was originally founded in atrocious violence.—"If you have a *right* to enslave others, there may be others who have a right to enslave you."* The payment of a sum of money to the first robber, cannot transfer to the purchaser a right which the other never possessed; and it is a manifest contradiction to every principle of justice and sound reasoning to assert the contrary. In fact, the existence of slavery here and elsewhere is only to be justified on the ground of expediency. People have unfortunately embarked their capital in the purchase of slaves, and to deprive them of their property, by forcibly emancipating the latter, would unquestionably lay the foundation of many evils, hardships, and personal privations. But it is imperatively incumbent on the Government to pursue such measures as are best calculated *gradually* to remove the evil, and thus avoid others of a far more aggravated nature.

In regard to the condition of the slave population, they are certainly as well fed and perhaps better clothed than the lower classes of free inhabitants; but they are totally destitute of moral and religious instruction. I am aware that there are individuals who object to educating the slave and lower classes generally. It is not my intention or wish to argue the matter here; but while education is so much neglected among the lower and middling classes, it is vain to hope for moral or political improvement. It is a hopeless attempt to superinduce any moral change, or any considerable degree of intellectual improvement on the *actual race of beings* who make up the present effective population. *Their* characters are fixed—the range of their ideas, circumscribed by prejudice and custom, is incapable of

* Price on the American Revolution.

receiving addition. It is with youth and even childhood that the labours of the philanthropist must begin: the seed of moral culture must be sown in early life; and though the harvest may not be abundant, nor the prospect of success very cheering at the outset, still, let us not despair of eventual success. Let not the Dutch community take credit to themselves for the *existing* institutions for the instruction of their slaves. What had they done in this respect during the 150 years which preceded the conquest of the colony? But even now, do not the slave owners find means to evade the orders of Government, for the regular instruction of their slaves? and will they not, so long as these orders must be carried into effect by slave proprietors?—"Slavery is an evil:—to him who is the author, and him who is the victim of it, it is alike an evil and a curse. The relations of master and slave, admit not of duty, afford no scope for virtue, and preclude all affection. Though in its forms of extreme rigour, slavery may provoke resistance and incite to revenge, yet, under many degrading shapes, we find that its continuance is provided for in the morbid indolence, the selfish acquiescence, and the servile fear, which it has produced. The man who desires freedom for a possession, not from indolence but for the sake of being free,—that man *is* free, though bound with fetters. The influence of liberty on all the intellectual and moral attributes of man, shews, that it is no chimera."

It is no apology for arbitrarily perpetuating the bondage of a slave, that he is unworthy to be free, when his vices are, probably, in no small degree, the fruits of his degradation. Nor can a people be justly considered as having forfeited by their crimes their unalienable political rights; though pleas less specious even than this, have been resorted to in justification of tyranny. Nevertheless, it is true, and it is a most important truth, that in order to capacitate an individual or a nation, for the enjoyment of *natural* rights, *moral emancipation* must *precede* political freedom. The injury which human nature has through a long period sustained, from the combined operation of the evils we have adverted to, is too radically deep to allow of its receiving immediate benefit from any external change. The removal of those causes which have occasioned its depression—its debasement, can lead but remotely to the good which a sanguine mind may anticipate. This is a circumstance of which our political speculists seem to take little account; whereas, it would seem, that the only effectual counteraction of political evils, is to be supplied by the gradual operation of the moral means of rectifying the sentiments, and of emancipating the intellects of the community. These means are a better and more comprehensive system of education—the establishment of parochial schools, similar to those in Scotland;—the diffusion of moral and religious instruction among *all* classes bond and free;—and finally, a careful and sedulous superintendance on the part of those entrusted with the solemn and important duty, of watching over the moral, religious, and political interests of the people.

SECTION VI.

EXAMINATION OF VARIOUS THEORIES, ADVANCED TO ACCOUNT FOR THE DEPRECIATION OF THE CURRENCY.

In the preceding Sections of this Essay, it has been attempted to prove, first, that the condition and circumstances of the colony, were not of such a nature as to call for an addition to the whole currency of 50 per cent. (which probably exceeded by 100 per cent. the amount actually in circulation.)—Secondly, that the diminished value of the currency was simultaneous with the successive issues of paper, and originated entirely from over-issue.—Thirdly, that the premium on the Exchange in favor of sterling money, was nominal, and did not originate from the excess of demand above the supply of bills, in other words, from importation, in excess of the means of remittance in payment.—Fourthly, that the assumption of a constantly accumulating balance of payments against the colony, being the cause of the gradually enhanced exchange, is not only theoretically false, but disproved by ascertained facts.—Fifthly, that the rise in the price of corn, in paper-money to the extent of 150 per cent. while the price in silver, gold, and Spanish dollars, is pretty nearly the same, is an irrefragible proof of the depression of the paper-currency below the value it possessed before the additional issues.—Sixthly, that increased taxation could have had little or no effect in raising prices above the limit of 1806 and 1810, the proportion of taxation bearing on each individual however heavy, being, in point of fact, less at present than during that period, though perhaps individuals are less able to bear even this degree of taxation than formerly, owing to the great fall of profits, both of farming and commercial capital.—Seventhly, that the assumption of a real premium on bills for sterling-money, varying from 150 to 200 per cent. is not only theoretically absurd and impossible, but is incompatible with the acknowledged prosperity and profitable commerce of the Colony, during that period in which the depreciation of the paper money was progressively advancing, from 25 per cent. in 1810, to 150 in 1821; and lastly, that a real premium can never exceed the real cost of transmitting bullion or specie, which is the only true limit of an unfavorable exchange, and would not probably exceed 5 per cent. Either silver has risen in value, or paper has fallen. But silver commands no more commodities now than in 1810, perhaps less; but the supposition that specie should have risen 180 per cent. is absurd. Such a rise in the value of specie would have attracted it from all parts of the world, and it would soon have reached its ordinary level. It is paper, therefore, and not silver, that has changed its value. There is no want of specie in the Colony, but it is driven out of the circulation, and it forms no part of the circulating medium. They who contend that the paper money is not depreciated in value from an over-issue, seem to entertain strangely inconsistent views of the subject. They admit the "diminished efficacy of the currency," that it will command "a less quantity of commodities;" that "it augments the expenditure of Government;" that it "has the effect of enhancing permanently and universally the prices of foreign and colonial produce; and consequently, to meet an increased public expenditure, or, in other words, to pay 15 Rds. instead of 5, the public are subjected to increased taxation." Now these admissions, if they prove any thing, clearly prove the reverse of what is affirmed by the opponents of depreciation. *These* are the *infallible concomitants of a currency depreciated in value, from over-issue.*

I trust it has been satisfactorily shewn, in the first three Sections, that, independent of the collateral facts leading to the same conclusion, the value of a paper currency not convertible into specie at the will of the holder, *cannot possibly exceed the value of the gold and silver which would be required to perform the same extent of business.* It is this last circumstance alone, which determines its value; and it is quite clear that an addition to the currency can have no other effect than that of deteriorating the whole. Mr. Trotter ascribes the present degraded state of the currency to the following causes:—

1st. To an injudicious system of Banking.
2d. To want of public Credit and Securities.
3d. Excessive Importations.
4th. Reduced Garrison, and consequently diminished Expenditure.

5th. Over Taxation in some branches.

6th. Want of a steady demand, and a Foreign market for Agricultural Produce or Grain.

7th. To a facility of borrowing and other causes, giving to Property an artificial value.

8th. To Government being allowed to augment the currency at pleasure.

If the principle unfolded in the first three Sections of this Essay be correct, it must appear evident, that, with the exception of the eighth cause assigned by Mr. Trotter, all the other circumstances pointed out by him as co-operating to depreciate the currency below its standard value, are either inapplicable, or produce this effect by *over-loading* the circulation with currency granted as loans, and thus throwing into the market extensive issues of paper, not called for by the demands of circulation, but merely to meet the necessities of individuals.

If it be true that the value of a circulating medium depends entirely on the business it has to perform; how can an injudicious system of banking produce any permanent, or even considerable depreciation of the currency, except by excessive issues of paper? Let it be remembered, that *Government* is the *issuer*; that one million of Rix-dollars was created and thrown into circulation in payment of the wages of labour, and in exchange for materials for building, and other purposes which need not be specified. These sums were issued by the bank; but the bank could *not* issue more than the Government authorised it to do, nor could it issue *less*; because, a created capital was necessary for the above purposes, to the full extent of the authorised issue. If any thing was within the power of the bank, it was rather to *withhold* the paper from circulation, and to retard its depreciation. If the additional million was necessary to facilitate the business of circulation, the bank would have been blamable in retaining it within its coffers; on the other hand, if it was not necessary, no blame could attach to the bank which was merely an instrument in the hands of Government. It is well known that the bank has at all times engrossed, at least, a moiety of the currency, being mostly the deposits of individuals, and partly so much of the original capital of the bank as had not been disposed of. If there had been any effective demand for an addition to the currency in 1810, and 1812, the fact would have been indicated by a *fall of prices*, or a rise in the value of the Rix-dollar; consequently, the bank would have derived a profit from disposing of part of the funds. But there is not a single fact to prove that there was a demand for an addition to the currency. A demand for capital, and a demand for currency as circulating medium, are two widely distinct questions, and it is from confounding these two that so many erroneous impressions have gone forth among all classes. On the contrary, we know, that the value of the medium of transfer, at present required to circulate the exchangeable products of the Colony, is less than in 1806, and 1810, and that instead of an additional currency, a smaller value is now required than before. In 1822, we are informed, the products sold and circulated in the Colony, averaged about 9,000,000 Rds. and taking the mean depreciation equivalent to a premium of 140 per cent. on the original value of the Rix-dollar, or 12 Rds. to the pound sterling, the value of the circulating medium would be to that of the circulating produce as 1 *a* 3, (one-third) or, as 250,000*l.* to 750,000*l.* If, in 1822, the value of the circulating produce exceeded that of 1806, by 33 per cent. then the value of the circulating produce in 1806, was only 560,000*l.* Hence, according to this supposition, there was required in 1806, and 1807, a currency of 2,000,000 Rds. or 333,000*l.* to circulate products valued at 560,000*l.* and in 1822, a currency of 3,100,000 Rds. or 260,000*l.* to circulate a value of 750,000. If, in 1806, the value of the circulating produce was 560,000*l.* then, according to M. Say, the highest proportion that ought to be assumed is 1-5th, or a value of 112,000*l.* whence it appears, that the Rix-dollars *in circulation* should not have exceeded 560,000, in which case the Rix-dollar would *certainly* and *necessarily* have maintained its value. On the same principle, only $\frac{750,000}{5}$ or 150,000*l.* equal to 750,000 Rix-dollars, at 4 Shillings per Rix-dollar would *now* have been requisite, instead of 3,100,000 Rds. so that in point of fact, 3,100,000 depreciated Rds. of the present currency, is of no more value, than 750,000, if the quantity had been limited. We know, indeed, the bank has generally engrossed about one-half of the currency; but even with this admission, we are at once enabled to account for a depreciation of 100 per cent. from over-issue, and the value of the *whole* currency is determined by the amount in *circulation.* It has been said, by Mr. Trotter, that increased commerce and population, *required an increase of* circulating medium; but he should have shown in the *first* place, that there was a deficiency, and he should have pointed out the *circumstances* which *indicated* a deficient supply. But the truth is, as I have explained more particularly in Section 1, that in an advancing society, there are many counteracting causes to an increased demand for a currency; and to what has been said, I shall here add a passage from the elaborate work of M. Say. "A circulating medium would be more abundantly required in a rich than a poorer nation, were not the following circumstances to control this general rule.

"1. The superior rapidity of circulation, both of money and commodities, in a state of national opulence, which makes a smaller quantity of money requisite, in proportion to the total of commercial dealings. The same sum in a rich country will effect perhaps ten successive operations of exchange in the same space of time, as one in a poor country. Wherefore, the multiplication of commodities to be circulated is not necessarily attended with a co-extensive increase of the demand for money. The business of circulation is extended; but the agent of circulation becomes more active and efficient.

"2. In a state of national opulence, credit is a more frequent substitute for money. By this expedient, the use of metal money, and, consequently, the demand for a circulating medium, is considerably diminished. Nor is convertible paper the sole expedient of substitution amongst an industrious and commercial people; every kind of private obligations and covenants, as well as sales on credit, transfers of money-credit, and even mere debtor and creditor accounts current, have an effect precisely analogous.

Thus the necessity, and consequently the demand, for a currency, never advances in an equal ratio with the progressive multiplication of other products; and it may be truly said, that the richer a nation is, the smaller is the amount of its coin, in comparison with other nations."

It must be evident, then, in whatever light the question be viewed, the bank cannot be justly charged with having *unauthorisedly* extended its issues of paper. The bank is the instrument the government makes use of to realize and become the deposit of its funds, and provided it obtains the requisite securities, there is no limit to the extent of its issues, which appear clearly to be regulated *not* by the wants of the circulation, but by the wants and necessities of individuals.

It has been said, that the "System of the Bank was calculated rather to relieve the necessitous, than accommodate commerce; to embarrass the Merchant, to *destroy the activity of capital,* and to be the means, by reason of long loans, to *augment* the *capital of the Colony* beyond the means of wholesome circulation, &c. &c."—I do not wish to be considered as an apologist for the Bank, but I am not sufficiently conversant with the mysterious details of that august and venerable Establishment, to conceive myself authorised to pass an unqualified censure on the system which it has adopted. I regret, that in the course of my researches, I have discovered no fact which could warrant even the most feeble attempt at eulogy. However, let justice be done. There is, I think, some inconsistency in charging the Bank, first with "destroying the activity of capital," and immediately afterwards, with "unnecessarily augmenting the capital of the Colony." The author, I suppose, means, that the system of the Bank went to repress the *productive* industry of the Merchant and Agriculturist, by affording loans for other purposes than those of productive employment, in these departments; and by reason of the *long loans* of money thus thrown into circulation, not to forward industrious enterprise, but to defray personal consumption, and feed extravagance. But is it not clear, that the effect of such issues must have been to *add* to the amount of currency, and thus to depreciate its value. In speaking of a "created capital," people do not reflect that the issue of paper in the form of loans to individuals cannot of itself create capital. The effect of loans granted to aid productive industry, is, to call *unemployed capital* into activity,—to transfer it into those channels where it may be consumed, and replace by productive employment, not only its original value, but also the ordinary profits of stock; and thus indirectly give rise to a fresh accumulation of stock, which is nothing more than the aggregate or surplus realized in the employment of productive industry. It is obvious too, that, by long or short loans, the value of the circulating medium must be materially affected. The effect of a loan from the Bank is to throw a considerable sum of currency into circulation; the greater the amount of the loan, and the longer the period for which it is granted, the greater is its influence in lessening the relative value of the currency, compared with specie and commodities. This is an undeniable principle, and it is accordingly with reference to this fact only, that the conduct and system of the Bank should be examined, and the merits of the Directors duly appreciated.—It is certain, that in 1806, the Bank possessed, and should be able to account for their capital of nearly one million. Between 1806 and 1810, what portion of this capital had been lent out, and what amount remained in the coffers of the Bank? These are important questions. It is also desirable to ascertain the amount of loans in *each* year, given by the Bank; the individuals to whom they were granted; the value of the property hypothecated for them; the period for which they were granted; also, the amount of redemptions in each year; the loans due, but *not* redeemed according to the contract; and, finally, a statement for each year, shewing the amount in circulation, and the amount placed in the hands of the Bank. From these data we should have no difficulty in estimating the merits of the system. But viewed in any light, it must appear an incontestible fact, that a body unchecked by any controlling power in its issues, and making the wants of individuals the sole motive and reason of loading the circulation, without reference to the demand for a circulating medium, must necessarily be open to the charge of incapacity. But it is the inherent inaptitude of the system to produce any other effects than such as must eventually be pernicious, and not personal incapacity; though I am not disposed to deny, that with some exceptions, the Directors of the Bank are, perhaps, too deeply imbued with the principles of the *old school*, either to frame or superintend a better system of Banking. The beneficial effects which would result from loans granted on *fair* and *equitable* principles, are rendered completely nugatory, from the circumstance, that the Bank requires security for more than *treble* the amount of its loan. There may be some cases in which the principle is judicious, but on a general view, there are two capital objections to it. The first is, that by requiring a security so extensive, the property and capital thus hypothecated is rendered wholly unproductive in cases of emergency; it is a bar to the disposal of property at a time when the proprietor may be desirous of effecting a transfer, and employing his capital to more advantage in other departments. Where so inordinate a share of the property is at the mercy of the Bank, private individuals will not risk a purchase at the hazard of the whole property being absorbed by the claims of the Bank,—more especially as the property mortgaged is often partly fictitious, originally consisting of slaves; so that in the event of their death before the redemption of the loan, the estate and all the fixed property on it might be insufficient to redeem the mortgage.—The second objection to the system of the Bank, is, the facility of borrowing circulating capital on *inconvertible* security, which has a decided tendency to encourage hazardous speculations and expensive habits, incompatible with the prosperity of the borrower, without giving productive employment to capital; and thereby forcing injudicious competition, to the great detriment of the real capitalist and fair trader. Further, the possession by the Bank of nearly one-half the circulating medium, besides that it shews indisputably, that there is a corresponding excess above the demand for it, necessarily produces incessant fluctuations in the state of the currency, either by discounting largely, or by restricting all Bank accommodation. Whether the Bank is open to the charge of partiality and favouritism, a minute reference to its accounts and transactions, alone could fully enable us to ascertain. But without going so far as Mr. Trotter, in condemning the whole system, without any redeeming quality, it does not appear to have afforded any stimulus, or even assistance, to agricultural or commercial industry. It is certain, that the principles of the system are, as Mr. Trotter observes, incompatible with all just principles of Banking; and if, while it has accommodated the necessities of individuals, by retarding for a while the infallible effects of dissipation and extravagance, it has at the same time refused accommodation to the mercantile and agricultural classes, there is no censure which could be too severe.—But although the value of the circulating medium is not regulated by any other principle than that of limiting the supply to the demand, and though the Bank was blamable in so far only as it extended its issues for such periods and for such purposes, as to load and embarrass the circulation, rather than to call dormant capital into employment, the establishment of the Discount Bank in 1808 must have contributed in an essential degree to diminish the demand for currency, by the transfer of book credits and payments without the intervention of a circulating medium; by which means, 10 or 20,000 Rds. perform as much business as one or two hundred thousand. This, indeed, is one of the principal advantages of the Banking system. The institution of the Discount Bank, if conducted on sound principles, must have operated in a powerful manner to facilitate the circulation, and should have proved a motive for *withdrawing from*, rather than adding to, the circulation. Upon the whole, whatever be the faults of the Lombard Bank (I speak of the system) it does appear to me that the depressed state of the currency, is ascribable in a very considerable degree to the system of long loans, and in particular to the facility of obtaining these loans without reference to the demand for productive capital, or to the want of a circulating medium. But still, is it not evident that the precise effect of all such issues and loans is to augment the currency in circulation, and thereby to diminish its value?* If the bank had of its *own accord created* the last 1,000,000 in paper currency, no censure would have been too severe; but this was not the case; the paper was created to supply the wants of the government, and it did not rest with the bank to withhold it from circulation. On the other hand, had the paper currency been *limited in amount* to the actual demands for a circulating medium, say, 1,000,000 Rds. instead of 3,100,000, there can, I think, be little doubt, that in spite of an injudicious system of banking, the Rix-dollar would have maintained its value. In short, the system of banking in this Colony could have affected the currency only in two ways. It must have had the effect of either increasing or diminishing the exchangeable value of the currency. That it did not increase its value, is not denied. If it diminished its value, it must have produced this effect by over-issue. Depreciation was a necessary consequence.

The improved system of banking proposed by Mr. Trotter, appears to be highly judicious, and his observations on this subject being deduced from sound principles and accurate data, are entitled to the attention of the government. I shall not prolong this Essay by any attempt to lay down in detail the basis or ground-work of a judicious system of banking, since it is not connected with the question more immediately under consideration, and as I indulge the hope that Mr. Trotter will publish his Essay.

* If the notes issued were each of considerable value, say, from 1,000 to 2,000 Rds. they could not, perhaps, materially affect the value of the currency; and had this been the case, the issues and loans would have been calculated rather to affect the distribution of capital than its real value.

The second cause assigned by Mr. Trotter, as operating to degrade the currency below the standard it was issued to represent, is "want of public credit and securities." It is to be observed, in the first place, that our object was to inquire into the causes or circumstances that were, or are actually in *operation* tending to depreciate the value of the currency. Now to affirm that the *want* of public security had this effect, is a sort of contradiction, implying the absence or negation of any specific cause. I must here repeat, "that the total business of national exchange and circulation, requires a given quantity of the commodity money, and of a certain *value*. There is a daily sale of so much wheat, cattle, fuel, property, moveable and immovable, which sale requires the daily intervention of a *given value* in the form of money. Now, whatever be the relative abundance of money, or the medium of exchange, since a quantum possessed of a given value is requisite for the business of circulation, the money, must of course, advance in value as it declines, and decline in value as it advances in quantity. The demand of the circulation requires the agency of an actual quantity (1,250,000) Rds. that is to say, a value equivalent to 1,000,000 *Spanish Dollars*, (1 Spanish Dollar=to 1¼ Rix-dollar,) or equal to about 104,170 muids of wheat; 12 Rds. per muid. Whatever be the weight, or bulk, or quantity of the material used as a circulating medium, the *total* value of the Colonial money will still remain at that point, because the business of circulating all the values of the Colony requires no larger value. No government has the power of increasing the total value of the (Colonial) currency, otherwise than nominally. The increased quantity of the whole *reduces the value of every part*, and *vice versa*, no increase to the number of Rix-dollars in circulation can possibly have any other effect than that of deteriorating the value of each in exchange."*

Having stated explicitly in the language of a competent judge, the causes which determine the exchangeable value of a currency, it must appear evident that the existence of public securities cannot have any *necessary* connection with the *quantity* or *value* of the circulating produce of the colony. Whatever has a tendency to increase or diminish the quantity and value of the annual produce, neces-

* M. Say on Political Economy, vol. i. chap. xxi.
Adam Smith, book ii. Chap. ii.

sarily increases or diminishes the exchangeable value of the currency; but how does the *absence* of public securities tend to diminish the annual produce, or to *increase* the medium of circulation?—or rather since the "currency is of less value" now than before 1810, in what proportion has the annual produce been *diminished* by this cause? Mr. Trotter has not inquired into this important fact, nor has he shewn the principle on which his reasoning is founded. It should be shown first, that public securities have a tendency to augment the business of circulation, and the manner in which that effect is produced; and then even granting the premises, before any deduction could be made bearing on the influence of the want of securities, in diminishing the business of circulation, these would obviously not apply to the state of this colony.—For, when the current value of the rix-dollar was from 3*s*. 6*d*. to 4*s*. that is between the years of 1806 and 1811 there were *no public securities*. If these had ever existed, there might have been some shew of reason in asserting that "the want" of them caused a depression in the value of the currency, a conclusion which could be drawn only from the influence of public securities in augmenting the business of circulation, being prematurely destroyed. Moreover, the existence of public securities in the form of debentures, bonds, promissory notes, &c. bearing interest, might, and doubtless would, be used as a medium of transfer in all transactions of moment, and in some degree operate to diminish the demand for a currency. But though the absence of public securities cannot possibly exert any influence on prices, or raise or diminish the exchangeable value of commodities; the want of these may have a very deceided influence on the course of exchange, though that influence is necessarily limited by the circumstances already stated as regulating the amount of a real premium. My ideas on this subject coincide entirely with those of Mr. Colebrooke, and they cannot be better explained than in his own words:—"Owing to the same want of public securities is that extreme urgency for mercantile remittances with the consequent perpetual pressure upon exchange, which has been noticed. If capital awaiting remittance may mean time be securely and advantageously employed, without foregoing the prompt command of it, remitters may be content to expect a favorable turn in the rates of exchange. But if money is to be idle while it remains unremitted, a present definite loss is submitted to, sooner than keep it unemployed waiting for doubtful contingences." The want of bill merchants and bill brokers, and the consequent injudicious competition, must doubtless tend to raise the *real* exchange above its proper limits; but the effect of such competition must necessarily be regulated by the amount of interest which would accrue on a debt, if payment were delayed for 3, 6, or 12 months, and probably would not exceed 8 per cent. But whatever it might be, it is quite certain that a real premium could not greatly exceed the cost of transmitting bullion, and that the premium in excess of this cost is merely *nominal.*

The third, fourth, and sixth causes assigned by Mr. Trotter, as diminishing the value of the currency, viz. (3) Excessive importation; (4) reduced garrison and consequent reduced expenditure; and, (6) want of a steady demand and foreign market for the produce of the soil, appear to come under one head.—Excessive importation necessarily affects the proportion between the supply and demand for bills:—a reduced garrison has precisely the same effect and aggravates the effect of limited exports, which of course originates from a diminished demand for colonial produce and the want of a foreign market. Thus all these circumstances combine to turn the balance of payments against a country.—It is perfectly true, however, that the premium on the exchange originating from these circumstances, can never exceed the cost of transmitting bullion, all the premium above this cost is merely nominal, and the effects of a depreciated currency. As long as the premium on foreign bills is less than the expense attending the transit of bullion from a country which has an unfavorable *real* exchange, it is certain that no merchant will ever think of subjecting himself to an unnecessary expense, by exporting bullion to pay a foreign debt. But, supposing the premium on foreign bills to have increased, so as to equal the cost of exporting the precious metals, for it cannot exceed this sum, it does not by any means follow, that they will therefore be exported. That entirely depends on the fact whether bullion is at that time the cheapest exportable commodity, or, in other words, whether a remittance of bullion is the most advantageous way in which it is possible to discharge a debt.*

* Huskisson on Depreciation, pp. 49—53.

"It is common indeed, (says a writer already quoted,) to represent the balance of payments as actually made in bullion. But this is not the fact, and it is material to shew it, as Mr. Huskisson has done in his valuable Treatise on the depreciation of English Currency. There is, in fact, *no such thing as a final settlement between two countries at the end of a year*, as between two individual dealers,—the dealing *always* goes on, the low rate of exchange naturally drawing goods from the country where bills are at a discount, to redeem those bills or to pay off that debt which is denoted by a fall on these bills, and checking the *importation* of them while the discount continues. There is thus a *continual tendency to restore the equilibrium*, and in the natural state of things the oscillation never departs far from the mean." *

It has been shewn, that fluctuations in the nominal exchange have no effect on foreign trade. When the currency is depreciated, the premium which the exporter of commodities derives from the sale of the bill drawn on his correspondent abroad, is only equivalent to the increase in the price of the goods exported, occasioned by this depreciation. But when the premium on a foreign bill is a consequence not of a fall of money, but of a *deficiency in the supply of bills, there is no rise of prices;* and in these circumstances the unfavourable exchange undoubtedly operates as a stimulus to exportation. And hence an unfavorable real exchange has an effect exactly the same with what would be produced by granting a bounty on exportation equal to the premium on foreign bills.†

But for the *same reason*, says Mr. M'Culloch, that an *unfavourable* real exchange increases exportation, it must *proportionally diminish importation*. When the exchange is really unfavorable, the price of commodities imported from England must be *so much lower* than their price in the Cape, as not merely to afford, *exclusive of expenses*, the ordinary profit of stock on their sale, but also to compensate for the premium which the importer must pay for a bill if he remits one to his correspondent, or for the discount added to the invoice price, if his correspondent draws upon him. A much *less* quantity of foreign goods will, therefore, suit the *Cape market*, when the *real* exchange is unfavorable, and fewer payments having to be

* Huskisson on Depreciation, p. 49—53.
† M'Culloch on the Exchange.

made abroad, the competition for foreign bills will be diminished, and the real exchange rendered proportionably favorable. In the same way, it is easy to see, that a favorable real exchange must operate as a duty on exportation, and as a bounty on importation."

It is thus, adds the same writer, that fluctuations in the *real* exchange have a necessary tendency to correct themselves. They can never *for any considerable period, exceed* the expense of transmitting bullion from the debtor to the creditor country. But the exchange *cannot* continue either *permanently favorable* or *unfavorable* to this extent. When favorable, it corrects itself by restricting exportation and facilitating importation; and when *unfavorable,* it has the same effect by giving an unusual stimulus to exportation, and by throwing *obstacles* in the way of *importation.*

The true par forms the centre of these oscillations, and although the thousand circumstances which are daily and hourly affecting the state of debt and credit, prevent the ordinary course of exchange from being almost ever *precisely* at par, its fluctuations, whether on the one side or the other, are *confined within certain limits,* and have a constant tendency to disappear.*

It may be assumed then as an AXIOM, *that the continuance of an unfavorable exchange against a country, far exceeding the expense of transmitting bullion, is an infallible criterion of a depreciated currency.* The rix-dollar note was issued to represent a value equivalent to 4 shillings sterling. It passed at nearly this value in 1806-10; and after the creation and issue of 1,000,000 bank notes, in addition to those already in circulation, the rix-dollar note passed a discount, now reaching 66 per cent.; in other words, the premium on exchange with England has risen from 20 to 200 per cent. though the cost of transmitting bullion does not exceed 10 per cent.

From what has been here and elsewhere stated, it must, I should think, appear manifest, that the trade between any two countries cannot continue, unless the value of the exports and remittances from the one be sufficient to defray the cost of the imports from the other. The contrary assumption obviously involves a contradiction in terms. It is to

* It appears from the valuable Work of Mr. Moreau, lately published, that the value of the exports from Great Britain to *all Africa,* has *not* averaged more than £530,000. per annum, between 1816 and 1822.

suppose, that a Merchant will continue for a series of years to sell his goods to a customer, from whom he never receives more than 50 per cent. for every 100*l.* worth of goods that is sold to him. Yet, strange as it may appear, this assumption has been made in order to account for a real premium of 200 per cent.—The following illustration of this extraordinary doctrine, so different from that of Ricardo, Mill, M'Culloch, &c. is extracted from the writings of one who denies the depreciation of the rix-dollar from *over-issue*:—

" Upon similar principles, suppose a country (we shall say Van Dieman's Land) possessed a paper currency in Rupees, computed at a par exchange of the value of 2 shillings, or at 10 rupees to the pound sterling; that is, had imported in one year merchandize to the extent of say 20,000*l.* or 200,000 Rs. and that she could only supply in return an export in produce to the extent of 120,000 Rs. leaving a balance of 80,000 Rs. to be liquidated through the only remaining channel, namely, by means of such bills as the Government might subsequently draw on London, to discharge the Garrison expenses of the Colony,—that at the expiration of the year these expenses were ascertained to be only equal to the production of bills to the extent of 6,000*l.* and they were advertised accordingly for sale by public auction on some future day.

" Further, supposing you to have seen this advertisement in the Cape Newspapers,—that you were also acquainted with the amount of foreign payments which the above Colony had to make in closing her commercial accounts for the season in question, and that she would be reduced to the necessity of remitting the balance of her debt upon the above bills, what result, let me ask, would you deduce from such premises upon either financial, commercial, or arithmetical principles. Might it not be anticipated, and without any very extravagant assumption, that on the day of sale the bills of principal, 6,000*l.* or 60,000 Rs. would (on an average) exactly rise to such premium as would be competent to absorb the balance of trade, or in other words, to 33 per cent. which, upon 6,000*l.* bills, would precisely include the remittances to be effected.

" Through this process, in short, the sale of the 6,000*l.* bills in exchange for the 80,000 Rs. currency, was nothing more or less than a barter transaction; and value being determined at the time of sale by the mutual consent of both parties, the 6,000*l.* became, to all intents and purposes, conventional and strictly equivalent to the 80,000 Rs. And here again I maintain, that excess or limited currency had no connexion with the above premium,—that improvident trading was the cause, and premium the effect; but for the reasons assigned, and under the barter adjustment above stated, that the deficit in exportable commodities, (including produce and bills) created no necessity for that accumulation of currency to which you refer; but the exchanges became necessarily and inevitably depreciated in an inverse ratio to the premium of 33 per cent. and a fraction, at which the bills were sold. In this case, the price of bills would have been less in proportion as the supply approximated to the wants of the public; and thus would your exchanges return to a less depreciated standard, as your Commissariat Bills might increase, whilst in the other case, the premium of the bills would not have risen to more than 15 per cent. had Government Bills been procurable to the extent of 7 in place of 6,000*l.* But as in this Colony they issued only for a limited sum, and therefore when your means of discharging 20,000*l.* are confined to 18,000*l.* it must invariably follow, that the value of the latter sum must rise and rise, till the difference is absorbed in exchangeable value. Nothing can be more self-evident, and to illustrate the arguments I have advanced, I purposely adopted the fiction of another Colony, hoping thereby, in a consideration of the question, to extricate you from the sense of those prejudices which now warp your minds, and which you too evidently and unjustly attach to the currency and exchange of this place."

I have given the statement in the Author's own words. However specious it may at first sight appear, if the principles laid down in this and the preceding Section, (and which are deduced from the writings of all the most eminent political economists) be true, this doctrine must appear no less unfounded in theory than practically false. Without adverting to the fallacy of "annual settlements," and the assumption involved in taking it for granted, that a premium might amount to 30 or 200 per cent. while the cost of transmitting bullion was only 10 per cent. it might be sufficient to notice the fallacy which I have already alluded to, viz: that a Merchant in London would continue to send goods to this Colony, which cost him 8,000*l.* and never to receive more than 2 or 3,000*l.* in payment. In the instance supposed, it is evident 6,000*l.* can never pay 8,000*l.* Another palpable fallacy is, that the premium on the exchange depends on the *proportion* between the debt to be discharged, and the bills in the market; in other words, if imports were received valued at 400,000*l.* while the bills in the market amounted to no more than 300,000*l.* the premium on bills would be in the ratio of 4 to 3, or 33 per cent. When the debt was a million, and the bills only 300,000*l.* the premium would then be as 10 to 3, or 330 per cent. and so forth. Another fallacy is, that the premium thus given, "would absorb the balance of trade," and therefore discharge it. If a calculation were made on the principle, it would be found that the Colony must owe to England a debt of at least 5,000,000*l.* sterling.

Suppose a Rix-dollar note to pass at its original value of 4 Shillings, and that it would purchase commodities at the same rate, and be of the same value as the coins in circulation; now if the cost of transmitting bullion, including insurance, &c. should be only 10 per cent. it is certain no person would give more than 550 Rds. for a bill on England. As already stated, the merchant would prefer the least disadvantageous channel of payment. If the paper were not depreciated, he would buy the bullion or coin with the paper, and it is as certain as any principle we know of, that under such circumstances the premium could not possibly exceed the cost of sending bullion. It will be asserted, that there may have been a scarcity of bullion or coins, and that this will account for a rise in the price of specie to the extent of from 30 to 100 per cent. But scarcity implies a corresponding intensity of demand, and when this is the case, it soon finds its level of value, by influx from other countries; for surely nothing can be more absurd, than to suppose that specie or bullion should be 200 per cent. dearer in this Colony, than in England. This supposition is contradicted by the fact, that the prices of commodities in specie have *not risen* since 1810: a commodity which could then be bought for a guinea or a Spanish dollar, may still be obtained for these coins. The assumption too of a continued scarcity of gold and silver, by which the level of value is destroyed, takes it for granted, "that these metals are like grain, a thing of annual consumption and reproductive, or liable to be affected by an unfavorable season, and that a commodity does not go to that market, where it is most in demand." In fact, in the present state of commercial intercourse, it is impossible that gold and silver can rise in value from *scarcity* in a particular country. Scarcity implies demand, and where it is in demand, a very trifling profit will make it sufficiently abundant. To suppose a mode of dealing attended with a loss would be preferred by a merchant, to one attended by a profit, is a perfect absurdity; and yet upon the hypothesis of an accumulating debt, we must suppose that an English merchant would continue to export goods at a loss, while if he had exported bullion, he might have realized a profit of 100 per cent. on the capital embarked. Thus, then, it appears that the only specious argument in favor of a real premium exceeding the cost of transmitting bullion by 100 *a* 150 per cent. involves the following capital errors.

1. First it supposes that the real premium on an unfavorable exchange may greatly exceed the cost of transmitting bullion, and that an unfavorable exchange far exceeding this cost, is no proof of a depreciated currency.

2. That a merchant will not send a commodity to the market where it will sell dearest, in preference to one where it will sell cheap.

3. That in two countries carrying on a constant commercial intercourse, gold and silver may be abundant in the one, and very scarce in the other; and that the demand for them, in one of these countries, may, for a series of years continue so intense, as to *raise* the level of value in one country 150 per cent. above the level of their value in the other, without any influx from the country where they are cheap, into the country where they are dear.

4. That two countries may continue to trade, though the amount payments fall short *every year* of the debts, by 50 or 100 per cent.; in other words, that a merchant will continue to sell his goods for 50 per cent. less than they cost him, and that he will prefer selling at a loss, to selling at a profit; for this must be the case, if a country imports goods valued at 400,000*l.* and the payments by bills and produce *do not exceed* 300,000*l.* for the loss or difference must fall on the home exporter.

5. It contradicts the established principles laid down by Ricardo and M'Culloch, that a *real* unfavorable exchange, even to the extent indicated by the cost of transmitting bullion, cannot possibly continue for any length of time; that there is a continual tendency to restore the equilibrium, that a country cannot import without exporting; that bullion is a commodity easily set in motion by the slightest

advantage or profit attending it; that it will always find its way to that market where it is *scarce,* that is, where it is in demand.

6. It *assumes* that this Colony, has, for the last twenty years, imported *annually* to a much greater amount than it has been able to pay, an assertion which the facts stated in the 4th Section disprove, and lastly,

7. It assumes that a premium on bills has the effect of depreciating the value of the medium of circulation, in opposition to the established fact, that if a currency be limited in quantity to the actual demand for it, it will maintain its value.

The same writer also informs us, that, "where the importations greatly exceed the means of the Colony to liquidate her debt, *the prices of exportable produce and bills,* must depend *entirely* on the *extent* of this debt, and that as the adverse balances increase, so inevitably must the *premium* on bills increase, *together with the prices of all colonial produce.* In short, the local prices of both increase with the local debt; and to the exporters, the exchangeable value is lessened in consequence of the high prices he is obliged to pay." These doctrines are certainly novel; for besides, that they contradict the assertions elsewhere maintained by the same writer, that "there has been *no rise* of prices," they are essentially and palpably inconsistent with the hitherto recognised principles which have been so ably and satisfactorily explained by every writer on the subject of currency and exchange. The easiest and the shortest method of detecting a fallacy, is to annalize and compare the principles involved in any *pastulatum* with other principles, which admit of no question or doubt.

In the first place, the doctrine first stated, partakes of the error referred to under the 4th and 6th heads of the preceding strictures. The second error is, that the prices of all exportable produce (*i.e.* of any commodity) in any country, is regulated entirely by the nature and extent of its foreign commerce, that is, in proportion as the course of exchange becomes more and more unfavorable, the *prices* of *all* commodities rise, *i.e.* the greater the debt, the higher do prices rise. It is sufficient to say, that this is in direct opposition, not to *fact* only, but also to an established principle laid down by Mr. M'Culloch and Mr. Ricardo, that, "when the premium on the exchange originates from a *scarcity* of bills, there is *no* rise of prices." Further, if we examine into the nature of real and nominal prices, we shall find the above doctrine inconsistent with any rational view of the subject. There has either been a real or nominal increase of price. A real increase of price may be occasioned either by increased cost of production; by a diminished supply, the demand continuing the same; or by increased intensity of demand, the supply continuing the same. The increase in the cost of production cannot have materially raised prices above those of 1806-10, as specie will purchase as much produce now, as in those years; but the paper rix-dollar will not. The proportion then between specie and commodities is still the same, or nearly so. The prices, however, in paper money *have* risen; consequently either commodities have risen from an extraordinary degree of scarcity and deficiency in the supply of them, or the paper in circulation must *exceed* the amount required for circulating commodities.

It is unnecessary to extend this Essay, by discussing the subject at greater length; and an attentive examination of the facts and principles recorded in this and the preceding Sections cannot fail to satisfy the Reader, however superficial his acquirements, that the doctrines just commented upon are not only irreconcileable with just reasoning, but also equally repugnant to the known and admitted principles of commercial and financial science.

Finally, so long as the *nominal* value of the currency exceeds the *real* value, that is required to perform the business of circulation, and the Government continues to sell the public bills, at a *variable* premium, the rix-dollar will ever fluctuate in value; and nothing can be more deplorable, as regards the interests of the colony, than a circulating medium destitute of fixed value in reference to specie. It is a serious check to internal commerce and foreign trade; it unhinges every principle of just dealing between man and man; and is an insufferable bar to the investment of capital in those departments of industry, the product of which is realized through the medium of the currency.

SECTION VII.

ON THE SUCCESSIVE AUGMENTATIONS OF THE CURRENCY; THE OBJECT AND CONSEQUENCES OF THEM.—ERRONEOUS OPINIONS OF SEVERAL WRITERS EXAMINED.

In the preceding Section, I have examined how far the causes assigned by Mr. Trotter, as operating to degrade the paper currency, were calculated to produce this effect. My object was to show, that these causes were inadequate to account satisfactorily for the depreciation of the paper currency in this Colony, and the consequent *nominal* rise in the prices of bills and commodities. It only remains to notice some other causes assigned by that Gentleman, as operating to diminish the exchangeable value of the currency:—

(1.) "Taxation;" (2.) "Facility of borrowing, which gives to property an artificial value;" (3.) "Government being allowed to augment the currency at pleasure."

First, in regard to Taxation.

All taxes, excepting such as fall upon capital and profits, necessarily enter into price. The rents and quitrents of the land, realized by the Government in this Colony, are essentially of this description.

No man can doubt that, if the taxes levied in the form of rents and quitrents, on the land, were remitted by Government, and land granted on the condition of being cultivated, prices would fall.* The direct and indirect taxes affecting

* This assertion is not meant to invalidate the doctrine maintained by Ricardo and others, (in so far as that doctrine is intelligible) that Rent does *not* enter into Price. But I would not be understood as recognizing that doctrine to the extent and in the same unqualified sense, assigned to it by that writer. It is true, that high price is the cause of high rent; but it seems equally certain, that though high price precedes high rent, it is only the price of a very *small* portion of corn, that does not enter into rent, on that land which is so poor as barely to yield produce sufficient to cover the labour and capital employed in cultivating it. But to affirm, that, because rent does not enter into the price of corn grown on land that can yield *no rent*, it therefore does not enter into the price of corn grown on more fertile land that pays rent, is a manifest absurdity.—*Vide* Quar. Review, No. 50, p. 475-6; also, an Essay on Rent, by J. Craig, Edinburgh, 1821, which is by far the best that has appeared since that of Malthus.

the agriculturist, do not probably fall short of 50 per cent. on his capital. The taxes imposed by the Dutch Government were exceedingly oppressive, and of course very unproductive. Previous to the capture of the Colony, the Revenue averaged about 45,000*l.* and subsequently, Lord Macartney remitted a considerable part of the taxes; and by equalizing them, and adopting an improved system of the Revenue, rose under His Lordship's administration to 90,000*l.* per annum. Under the Government of General Jansen, the Revenue did not exceed 300,000 Rds. or 60,000*l.* notwithstanding the heavy taxes imposed by that Governor. I am unable to say, whether any *new* taxes have been imposed by the Colonial Government, on the land and its produce since 1806. I think not, at least to any considerable extent, with the exception of the heavy and oppressive taxes affecting the inhabitants of Cape Town, and which ought to be strictly enquired into, and accounted for. Upon the whole then, I am fully borne out in asserting, that however oppressive the taxes may be, they cannot affect prices in a much greater degree *now* than between 1806-10.

The influence of taxation, therefore, in raising prices *above their level in* 1806-10, must be trifling, and cannot possibly exceed 10 per cent. on raw produce, and is insufficient to account for the rise in the prices of commodities.

Secondly,—It is stated, that "facility of borrowing" will account partly, for the "diseased state of the Currency." The observations which I have made in the preceding Section, on the system of the Bank, and the manner in which loans affect the value of the circulating medium, render unnecessary any enquiry into this branch of the subject.

The facility of obtaining *long* loans from the Bank, cannot be too severely censured. But whether the charge is sufficiently made out, to justify any censure of its conduct, is another question. There are, it appears, two ways in which a facility of obtaining loans may affect prices, viz: by facilitating competition for particular sorts of property that are in *demand*, or by generating a general competition for all sorts of fixed property and commodities. In the one case, the *real* price of the property that is in demand will be raised, in relation to other commodities. But it is quite clear, that the high price is the effect of competition, originating from the *intensity* of *demand;* from the number of buyers being greater than the number of sellers, an effect which could only have been temporary, and must have ceased to shew itself, as soon as those who wished to sell became more numerous than those who wished to buy. Such an effect, therefore, could only have been temporary; and had the currency thus issued in loans been recalled within a short period, or replaced by withdrawing from circulation a corresponding quantity of the circulating medium, it is quite certain, that the value of the currency could not have been affected in any considerable degree.

Again, if the loans engendered a general competition for all commodities, the effect would be to raise *not* the real and relative prices of some, but the *nominal* prices of all commodities. Competition could not, for any length of time, raise *real* prices, because the elements of real price are the costs of production; and if prices rose far above this cost, competition would soon reduce prices to their proper level. Loans, therefore, could not permanently raise *real* prices, because they would not increase the costs of production; on the contrary, they might have an opposite effect, by engendering competition in those departments of production, wherein the supply falls short of the efficient demand. It appears then to follow, that the effect of loans on prices can only be *nominal,* and that *only* when extensive issues of currency (Bank Notes) are made in the form of long loans, without any reduction of the currency *previously* in circulation, proportionate to the advances and issues made for this purpose. Hence, in whatever light the subject be viewed, loans can affect prices only by throwing an *excessive quantity of paper* into the market, and thereby reducing its exchangeable value.

Lastly,—Mr. Trotter admits that *one cause* of the complaints and disorders in the currency, "is the power vested in the Government to augment the currency at pleasure."

Now, the Government either has exercised this power unnecessarily, or it has not. If this power has not been unnecessarily exercised, the cause could not have operated to reduce the value of the currency. If, however, it has exercised this power, and is therefore chargeable with having issued more currency than was necessary, a conclusion which evidently follows from Mr. Trotter's premises, it is difficult to perceive with what degree of consistency it can be asserted by the same writer, that he "cannot admit that currency has so depreciated, as to fall below the value it possessed in 1806-10." If the currency is *not depreciated* from the exercise of the power vested in Government to augment its quantity, upon what grounds can it be alleged that *one cause* of the disordered state of the currency was the power thus vested in the Government, *unless* this power had been actually so misapplied? As I have before observed, either there is too much, or there is too little currency. But the only disorder in the currency that can possibly affect the interests and feelings of society, is its diminished value, and nothing can permanently diminish its value in circulation except over-issue. Any other opinion than this is repugnant to the ascertained and recognized principles, which constitute the foundation of commercial and financial science.

It will now be proper, to exhibit a detailed view of the several creations of currency, and the various expedients resorted to, in order to supply the wants of Government. As a convenient instrument for such purposes, the Dutch Government instituted what they chose to term a bank, and which like all other concerns of that nature, when subject to the control and direction of Government, dwindled into a machine for enabling Government to tamper with the currency, in order to supply their own wants, and not the wants of the public, for a circulating medium.

That the establishment of the Lombard Bank was a wretched expedient, will admit of no doubt, when we consider the circumstances in which it originated, the principles on which it was conducted, and the character of the individuals who had the management of it. To be sure, such men as Ricardo, Bosanquet, &c. were not to be found in those days, to aid the councils of the Dutch Government; and it cannot be a matter of surprise, that it should ever have been a bungling and ill-conducted concern, when we consider, that with a very few exceptions, the worthy Directors could have known but little about just principles of banking.

That the Anglo-Colonial Government should have persisted in the same course, and not have introduced into the bank, some of the principal English merchants residing in the Colony, whose interests and character would have ensured a faithful superintendance, would surely be a just cause for unqualified censure, did we not know that the bank, being one of the principal departments of Government, the patronage and selection of individuals, as in most other Governments, does not necessarily depend on the qualification of individuals, which form but a very feeble counterpoise to the weight of family connexion and personal influence.

It is painful to be under the necessity of passing a censure, even thus qualified, on the Colonial Government, and I regret that no motive occurs to me, to justify its conduct in this respect. But let this pass for the present.

"The establishment of the Lombard Bank (says Mr. Barrow) by the Dutch East India Company, was one of the many symptoms that had of late years appeared, of the declining state of their commercial credit. Driven to the necessity of raising revenues by direct and indirect means, to defray their expensive establishment, to maintain their existence by temporary expedient, their finances were reduced to such a state, that their capital was employed to pay the interest of their debt. In order to reform abuses, Commissioners were deputed from Holland, who finding, on their arrival at the Cape, that the Colony was in the most deplorable circumstances, and a general complaint among the inhabitants of a want of a circulating medium, they conceived it too favorable an opportunity to let slip, of converting the public distress into a temporary profit for the State. They issued, through the Bank, a loan of such sums of stamped paper money, as might be required to satisfy the want of those who could give the necessary securities. Thus by this transaction, Government created for itself a net revenue of 25,000 per annum, without risk or trouble, from a fictitious capital. Part of the original capital of 680,000 Rds. was repaid by the inhabitants, but instead of cancelling such sums, as it was in honour bound to do, it applied them toward the payment of the public expenses, suffering the whole of the capital to continue in circulation. The consequence of Suffreins' visit to the Cape, obliged the Dutch Government to borrow plate and silver money from the inhabitants, which was promised to be repaid on the arrival of the ships then expected from Holland; and in the mean time stamped money was given, and thrown into circulation, none of which has ever been redeemed by specie."

In continuation of this historical epitome of the origin of the present Colonial Currency, the following details may not be unacceptable to the generality of Readers, and more especially to those, who wish to form a correct judgment of the various methods adopted to supply the public exigencies, and the effects of such tampering, in destroying the credit as well as the value of the currency.

The paper rix-dollar was originally created in 1781. It was issued under a promise of redemption, as soon as circumstances should permit; and it was declared to be equivalent in value, to something more than (4) four shillings sterling. The first issue was paid off punctually; but some subsequent issues having been made, there still remained in circulation at the close of 1789, the sum of 99,315 Rds. In the year 1795, the amount of paper Rix-dollars had been augmented to 611,276, exclusive of the capital in the Lombard Bank, amounting to 680,000 Rds. In September, 1795, the Colony was captured by the British Forces; and according to the 8th article of the capitulation, it was then stipulated, that His Britannic Majesty should "establish the value of the paper currency;" and that the Colonial Government engaged to represent to His Majesty's Government, the expediency of adopting such further arrangements as might appear necessary, with a view to establish its credit, or, if possible, entirely to liquidate it. Subsequently, Sir James Craig issued a further sum of 250,000, to defray the extraordinaries of the army, (at that time equal to 50,000*l.*) In 1802, in consequence of a representation from the Burgher Senate, a further sum of 100,000 was issued and paid to the Corn Committee under the *express declaration*, that it was to be destroyed after the corn had been issued out, and was not to be added to the capital then in circulation. A further sum of 80,000 Rds. was issued for the purchase of Rice, under the express stipulation that it should be destroyed as soon as the Rice should be sold. A *further sum* of 100,000 Rds. was issued through the Bank, under similar injunctions; and it was enacted, that the interest accruing from this sum, *should not be appropriated* by the Government; *but applied to purposes connected* with the improvement of the town, and thus alleviate the heavy pressure of the assessments raised for that purpose.

Of the 100,000 Rds. first mentioned, 65,000 were provisionally transferred from the Corn Committee to the Lombard Bank,—*the interest to be applied by the Burgher Senate* to similar purposes as the last issue; the remaining 35,000 were cancelled. The 80,000 Rds. issued for the purchase of rice, were also expunged from the circulation; and before the restoration of the Colony to the Batavian Republic, the 250,000 Rds. originally issued to defray the extraordinaries of the army, were also accounted for and discharged; but it appears, that in *breach of faith* the Dutch Batavian Government *never withdrew one fraction of the amount from circulation.* It is to be remarked, that Lord Macartney maintained the value of the paper currency, by fixing the premium at only 20 per cent. on the same principle as the Dutch Government, in 1803, who drew on the Batavian Republic for large sums at the stipulated agio of 25 per cent. In 1804, the old paper was recalled, in order to be substituted by new money, amounting to 1,613,376 dollars, which was afterwards increased by the sum of 300,000 Rds.—of which 75,000 were appropriated to loans to individuals in Stellenbosch; 50,000 for constructing Drostdies at Uitenhage and Tulbagh; 25,000 for the Agricultural Commission, and 150,000 for the Grain Magazine.

For the *redemption* of this sum of 300,000, the lands and public buildings in the above districts, were *pledged*, as *also* the effects belonging to the Agricultural Commission, and the Grain Magazine; and finally, the *extinction* of the paper, on the fulfilment of the objects for which it had been created, was a condition annexed.

Thus at the period of the capture of the Colony in 1806, there was paper in circulation to the amount of 2,083,376 Rds. which, by the Articles of Capitulation, was pledged to be maintained in its value, secured by the public property belonging to the Batavian Government, and *guaranteed* under all the engagements of that Government, at its original value of 48 pennies to the rix-dollar, which value was recognized by an issue of copper coin, corresponding to the original standard value of the Rix-dollar, and still further confirmed in its relative value to the Spanish dollar and English silver shilling, by a proclamation by Lord Caledon, dated the 29th May, 1807. To the paper already in circulation, amounting as we have seen to 2,083,376, remains to be *added* 80,000 created by Sir David Baird, for the Colonial Granary, the *profits* of which were to be *applied* every six months, till the amount was redeemed and expunged from the circulation. During the years 1807, 8, 9, and 10, other trifling sums were issued to the amount of 5,204,—making a total of 2,168,580 Rds. 7 Sks. in circulation. In 1807, an addition of 150,000 Rds. was made to the capital of the Lombard Bank.

In June, 1810, an *additional* issue of paper money was created to the amount of 500,000 Rds. 300,000 of which were applied to the construction of water works, and the remainder in loans for the repairs of buildings in the town, which were destroyed by an earthquake in the preceding year. Before the issue of this paper money, the nominal premium on the exchange, in favor of sterling money, had not greatly exceeded 25 per cent. The obvious effect of the increase just mentioned, was to diminish the value of the whole circulating medium; to raise the nominal exchange against the colony; "to lessen the amount of bills of every description to be drawn, and consequently to encrease the cost of all commodities imported from England, particularly such as were indispensable to the cultivating and labouring classes, the price of whose labour was advanced in proportion, while the prices of all colonial products were controlled and regulated by the Burgher Senate, as well as by the taxes on corn imposed by the local Government, and the farming of the wine licenses."

The creation of the sum of 500,000 thus effected, was deemed the least disadvantageous mode of realizing a fund for the proposed objects; objects obtained, however, at the expense of the colony, and implicating the integrity of Government, who had guaranteed the value of the paper currency at 5 Rds. per pound sterling.

"The interests of the Colonists were injured, inasmuch as this addition to the money in circulation, enhanced the prices of all British commodities and necessaries of life under the operation of the exchange, which also rendered a greater revenue necessary to maintain the civil list paid in sterling value. Thus the premium on the exchange in the course of 18 months after the additional issue, rose from 20 to 50 per cent.; and in 1812 it exceeded 60 per cent. and operated as a direct heavy and disproportionate tax upon the community,—highly serviceable to the British Government and a few private interests."

In addition to the foregoing issue, another issue of 500,000 Rds. took place, of which 200,000 were created in 1812; 200,000 in 1813; and, finally, 100,000 in March, 1814, making a total of 3,168,580 Rds. 7 Sks. in circulation. The losses to which the community had already been subjected, were greatly augmented by this last issue, and were further aggravated by the subsequent reduction of the garrison.

It is to be observed, that the sum last issued (500,000,) *was pledged to be withdrawn from circulation*, in a proclamation dated the 4th March;—accordingly, a commencement had been made in the work of extinction, but no more than 39,000 were withdrawn from circulation. It is evident from this circumstance, as well as from the fact, that Sir John Cradock had distinctly announced, that the *interest* on the said issue should be applied to its gradual extinction, that had this principle been acted upon, the last issue of 500,000 might have been expunged from circulation in 1821; that is if the returns on that sum, as realisable on the terms of re-payment by instalments of bank (long) loans, had been applied to the purpose. During the period however, that these arrangements for liquidating the *last issue* of 500,000, were in contemplation, the sum *previously* issued had been *most unaccountably and entirely overlooked,* though issued under the plea of being extinguished, as soon as the objects for which it was created should be accomplished. This *oversight,* if such it can be called, appears the more surprising, in consequence of a proclamation having been issued, stating that with a view "to fulfil the resolutions of the former Government, and to observe with the most *scrupulous faith all provisions respecting the paper money,*" it was ordered, that instalments to a certain amount should be destroyed, "and that the same should be repeated annually," till the whole sum of 75,000 (only) should be withdrawn from circulation. The *omissions* in question involve first, the issue of currency by Sir J. Craig, but never effaced from circulation, ... 250,000

The sum advanced in 1802, for the purchase of Rice *sold* to the Inhabitants, ...	80,000
Transferred to the Bank under the direction of the Corn Committee, ...	65,000
Issued by Sir D. Baird, in 1806, ...	80,000
This sum of	475,000

with such interest as might not have been appropriated to the purpose originally specified, together with the sum of 500,000, last issued, ought to have been annihilated. The income derivable from the water-works, ought undoubtedly to have been appropriated gradually to the extinction of that portion of the money last issued, which was expended gradually in their construction. The tax is now ex[illegible] productive, yet *no part* has been applied to the pu[illegible]ted out in the proclamation of the 4th March, 1814, by [illegible] J. Cradock. It is understood, that the last issue of 500,000, under the sanction of His Majesty's Ministers, was considered by them to be but for a temporary purpose; and it cannot be supposed, that the profit to be derived from so extensive an issue, in excess of the natural and real wants of the colony, could have been regarded as justly applicable to the colonial revenue. However, only 27,000 Rds. appear to have been expunged, in addition to the 39,000 already mentioned.

Previous to May, 1816, it was illegal to export coin or specie. The restrictions on this head having been rescinded, an exportation to a very considerable amount took place, which had the effect of relieving the circulation, and retarding for that year the still further rise in the exchange, with England. In the same year, the sum of 100,000 Rds. advanced on some occasion to the Grain Committee, was also destroyed; but it is uncertain, whether this had been a distinct issue in addition to the former creation of paper, or otherwise. There can be no doubt, that if the several creations of paper currency, extending from 1795 to 1814, had been destroyed in the letter and spirit of the principles laid down in the proclamations, and in conformity to which the issues were made, the currency would have been relieved from the heavy pressure upon it; and the prices of English commodities would have been greatly reduced, as well as the *price* of labour.—Notwithstanding these notorious facts, and the excessive amount of currency, an additional issue of paper took place in August, (though in the preceding June deemed unnecessary.) It remained in circulation till December, 1823, during which period the exchange rose from 140 to 180 above par. In the months of January, February, and March of the present year, 1824, it rose to 140, and soon after as high as 200.

It appears that the paper rix-dollars, now in circulation, and in the hands of the bank, amount to 3,005,276; and the following facts may enable us to prove how far the depreciation has conduced to the injury or benefit of the colony. The capital of the Lombard bank, in 1795, amounted to 680,000

Between 1795 and 1809, it was augmented by 315,000

To which add the fresh issue of paper in 1810 and 14, ... 1,000,000

1,995,000

From which it appears, that the capital of the bank is nearly equal to two-thirds of the circulating medium, independent of the large sums in deposits;—so that, in fact, it engrosses more than is required for the circulating medium of the whole colony. The capital of the bank is appropriated to loans not extending more than six months. In all cases the bank receives security for nearly treble the amount of its loans. One objection already stated is, that by requiring a security so extensive, the property and capital thus hypothecated is rendered altogether unproductive in cases of exigency, to exactly double or treble the amount of the capital substituted or lent in its room.

The Discount and Lombard banks absorb two-thirds of the existing currency,—the excess in the ordinary course of circulation returning to its usual depository. A considerable amount moreover remains unemployed in the hands of individuals, which will be readily believed, as interest is not allowed in deposits.—The monopoly by the bank of so great a portion of the circulating medium, cannot but produce violent fluctuations in the state of the currency, either by discounting largely, or suspending all bank accommodations.

It is generally thought, by men qualified to judge, that the effect of the bank system has been to depreciate property, and to embarrass commerce,—and that it could have afforded no stimulus to agricultural industry, which was repressed by restrictive enactments in respect to exportation, which prevented mercantile competition, and consequently kept down the price of raw produce below what, under other circumstances, might have been obtained;—and finally, it is maintained, that had the several creations of money been withdrawn after they had accomplished the objects for which they were made,—the exchange would gradually have become more favourable, foreign commodities, the materials of capital, and the wages of labour would have fallen in price:—the public revenue would have become more efficient, and more competent to the discharge of all salaries and payments made in sterling money.—Notwithstanding the pledges of Government and the great expectations of the public, only a trifling part of the currency has been expunged from circulation.

If the proceeds of the lands that have been sold had been applied, as *originally guaranteed*, for the redemption of the currency, a considerable amount might have been expunged from circulation. These pledges have, however, been overlooked, though even had the proceeds of the property then disposed of been appropriated to their legitimate purposes, the reparation would have been very inadequate.

The redundancy of the currency has, however, affected not merely one class of the community, but every interest and every species of property. In 1824 the currency was depreciated 61*l.* 10*s.* 9¾*d.* per cent. which would not have been the case had the issues of currency been gradually and punctually withdrawn. There is no doubt that the price of Wheat is kept down by the prohibition against exportation; and the extension of cultivation is retarded from the same cause.

" The prices of Wine have been materially affected by the unfavourableness of the home market, as well as the increased supply being at least double what it was formerly. Its cost, however, has been enhanced by internal imports, to the amount of 15 per cent. which, with other charges incident to the Wine when exported, must now fairly discourage consumption. It may, perhaps, be contended, that the existence of so much currency has given a stimulus to production, more especially in the Wine trade;—if it has, it must have been both temporary and delusive, as is *proved from experience.*"

A currency so depreciated cannot but have injured individuals.

The currency then holds an undoubted claim to the proceeds of all lands and public property surrendered by the Batavian Government in 1806; and Government is bound to fulfil all those pledges for its redemption, virtually or tacitly made, and arrangements should be immediately adopted with this view, in order to repair the losses sustained by the community, in consequence of the fluctuations occasioned by such a super-abundant currency, aggravated as these have been by its application and issue, through the medium of the Bank.*

* It is generally believed, (and there can be little doubt of it,) that the rixdollars in circulation actually *exceed by half a million,* the amount on record.—Either more has been fraudulently created, or rather *forged,* than was *authorized:—or less has been destroyed,* than was ordered. With regard to the Exchange, it is well known that it has *often* been *forced* up, above its natural level, by a collusion of interests.

The foregoing Statement affords a faithful and summary View of Facts, which are condensed in the following figured Abstract.

BANK CAPITAL.

Original Capital	680,000
Augmentations by General Dundas, (minus 35,000) .	165,000
Transferred from Currency, or Bank Capital, Dr. to ditto	150,000
Add June 1810, Lord Caledon	500,000
Add 15th Jan. 1812, to 23d August 1813, Ld. Howden .	400,000
Add 4th March 1814, buildings, Ld. Howden . .	100,000
Total Bank Capital in circulation .	1,995,000

CURRENCY.	Rds.
Created between 1782 and 1784	925,219
Paid off . . 1787 and 1789	825,904
1790. Balance of Paper remaining in circulation .	99,315
Created between 1789 and 1795	511,961
Created by Sir Js. Craig, 1795	250,000
Added . . . 1802	80,000
Between . 1803 and 1806 advanced to Stellenbosch	75,000
Buildings at Drostdies	50,000
Agricultural Committee	25,000
Grain Magazine	150,000
Created 1806	80,000
Created 8th August, 1822, ...	200,000
Total Currency created by Government . Rds.	1,521,276
Destroyed of Loan to Stellenbosch between 4th March, 1814, and 11th July, 1823, ...	51,000
4th March, first Instalment from Water Works .	15,000
Colonial Granary, 16th August, 1816, ...	100,000
19th Dec. 1823, ...	200,000
Transferred to the Bank Capital	150,000
Total Currency destroyed and transferred .	516,000
Balance in circulation	1,005,276

Hence it appears, that the paper money of this Colony, exclusive of small sums issued at different times, exceeds 3,005,276 Rds.; of this sum the Bank possesses a capital of 1,995,000, and it belongs to those who have the management of it, to account for it,—to show by figured and explanatory statements, how much has been annually lent; how much refunded by the borrowers; and how much is (and *by whom)* remaining due.

" It is impossible to peruse the foregoing statement, without being forcibly struck with the frequent augmentations to the currency, for no other purpose than to meet the expenditure of Government; and yet, in spite of these facts, and in opposition to the ascertained principles which regulate the value of a currency, there are found men who deny depreciation and fluctuation from over-issue, and from incessant tampering with the currency. It is easy to see, that in opposing conclusions deduced from such stubborn facts, men must necessarily contradict themselves, and be led into a maze of inconsistency and illegitimate reasoning."

Among other writers on the subject, the Author of the "State of the Cape of Good Hope in 1822," has fallen into several errors, too palpable to require detailed refutation. That Work, indeed, possesses considerable merits, and which are quite sufficient to compensate for the faults and blemishes which frequently tarnish its pages.

The Author of that Book ascribes the high premium on the exchange to a variety of causes. "First, to the heavy balances due to England; 2d, To excessive importation, or overtrading; 3d, To a redundancy of the circulating medium; 4th, To the high prices received for goods; 5th, To the pressing circumstances of the day," &c.

The errors involved in these assumptions are sufficiently obvious; but strange to say, there are some wise heads, who still imagine that the currency is insufficient, and on this subject the Author just quoted observes, that, though the Merchants who wish to remit bills, possess themselves for a time of large sums of rix-dollars, "for purchase in the day of tender, the rix-dollars so paid for bills *go into immediate circulation,*—any addition to the number and amount of the present rix-dollars recommended by some people, unless grounded in solid security, would be a *fraud* on the Public, increasing the distress; and if grounded on security, it would *instantly* cause a *further depreciation* on those which are not so." Again, the *creation of more rix-dollars must increase the rate of exchange against the Colony.* When the Bank note of England *over-abounds*, its value diminishes in exchange."—From the above quotations, it is evident that the Author sometimes confounds the distinction between a *real* and nominal premium, (which has been fully, and I should hope satisfactorily, explained in the preceding Sections,) sometimes ascribing the high premium to a scarcity of bills, at other times to excessive currency. I have already shewn, that an unfavourable exchange can consist of two items only, to wit, the *real* premium, which is limited by the cost of transmitting bullion, and does exceed 12 per cent. and the nominal premium in excess of the real premium, by the amount of depreciation originating from over-issue.* The principle of limitation in quantity is so clearly the regulator of the value of a currency, and is so fully demonstrated in the 2d, 3d, and 6th Sections, that I need not recapitulate what has been said on this subject. My own opinion is, that had the currency been limited to the actual demands of circulation, in the only proper sense of that term, it would not have fallen in value; and as its value depends solely on the quantity of business it has to perform, excessive importation would have a decided tendency to *increase*, rather than diminish, the exchangeable value of the rix-dollar, in the purchase of commodities, and that under such circumstances, the real premium could not, by any possibility, greatly exceed the cost of transmitting bullion.* This is the opinion of every writer whose works have come under my perusal.

In most of the observations of Mr. Colebrooke concerning the currency, I entirely concur, though for the reasons already stated, I conceive he over-rates the effect of excess of "importation," in stating the latter to be a "proximate cause of depreciation." It is admitted that the real course of exchange depends *entirely* on the demand, compared with the supply of bills;—that is, in the value exported, including produce and bills, being equal to, less, or greater, than the value of the imports and the amount payments that may be due. It is quite clear that no alteration in the currency could materially, or even for any length of time, alter the *real* course of exchange, because it would not *increase* the *foreign* demand for colonial produce, nor *decrease* or *increase* the demand for foreign commodities; consequently, it could create no alteration in the balance or equality of payments; whether, therefore, the currency be rising or falling in value; whether the rix-dollar be worth in ordinary circulation four shillings or one shilling, the *real* course of exchange might still be against the colony;—but under no circumstances can it greatly exceed the cost of transmitting bullion, or continue unfavorable for any length of time.*

To assert, as Mr Colebrooke has done, in an indirect way, that an *unfavorable foreign exchange* tends to depreciate the currency of one nation, compared with that of another, is an error which, adverting to the intellectual acquirements of Mr. Colebrooke, could only have proceeded

* I do not here consider the precise influence of *collusion*, in raising the Exchange.

from oversight, and indeed is amply contradicted by the third and fourth paragraphs of his article on the colonial currency. He says, that "the degradation of its paper has been progressive since the unhappy measure of augmenting the quantity of it. Already the currency *over-abounded,* as was evinced by *the price of bullion, and ordinary rate* of foreign exchange, which demonstrated *depreciation, varying from* 20 *to* 30 *per cent.;*—when, in an ill-omened moment, the local government was induced, on very mistaken grounds, to resolve on its augmentation, while its diminution should, on the contrary, have been determined.

"From that time the local currency has proceeded in an *unvarying course of rapid depreciation,* which is now come to the enormous length of 180 per cent. premium, that is, the paper money now exchanges for no more than 35 per cent. of the value for which it was issued."

I have now brought to a close all the observations I had to offer in reference to the colonial currency, and the causes of the high premium on the exchange, amounting on an average of the last four years to 160 per cent.; the rix-dollar being now worth only 38 of its original value, and at a discount of 62 per cent. It is for the reader to decide, whether the high premium is caused by *excessive importation and over-trading,* or by a redundancy of the circulating medium, far outstripping the demands of internal circulation. It is certain that the course of exchange between two countries cannot be permanently favorable or unfavorable to one or the other,—for there is an inherent tendency in the exchange to correct itself. But even admitting that there has *always* been a *scarcity* of the means of remittance,—it by no means follows that this circumstance should operate to reduce the value of a currency, since that, as has been shown, depends on other circumstances, altogether independent of the abundance or scarcity of bills. Not to dwell any longer, however, on a subject that has, I apprehend, been already more than exhausted, and which must have tired the reader's patience, I shall only offer a few remarks on a *notion* which still floats in the heads of some sages, who say that the currency, even in its present extent, is insufficient, and that there is a scarcity of money. Of such persons, I should not hesitate at once to say, that to entertain such a *notion,* was a sufficient proof of their ignorance of the subject.—Indeed, while such sentiments prevailed, it is not surprising that there should have been so many errors in practice, and that the want of capital should have been confounded with the want of a paper circulating medium.

In former times, the term *money* was applied exclusively to gold and silver coin, or bullion;—but at present, it has a more extended meaning, being often used to denote tangible or floating capital,—that is, funds deposited in banks, in government securities, in bills, &c. &c. from which it can at any time be turned into a circulating medium. How often do we hear of a scarcity of money,—a want of a currency, &c.—particularly by men of business, who seldom reflect on the true import of such assertions. When, therefore, such complaints are made, it is not a circulating medium that is meant, but *floating or tangible capital,* and in the transfer of which, from one hand to another, a circulating medium is very little required, that being more generally performed by banking, by cash credits, transfer of book credits, &c. as already explained. "Even the landholder, when he finds a difficulty of borrowing on mortgage, though he uniformly attributes this circumstance to want of money, is not more correct in the statement of the grievance under which he labours, than the farmer or the merchant. What he in reality wants, is a portion of capital, either to be used in improving part of his property, or in replacing what he has already expended, or means to expend; but, in acquiring this capital, money is of no further use than as the means of conveying it to him,—it does not *create* any thing new,—it only transfers something already in existence, from one individual, or from one employment to another,"—or it brings into activity capital, not employed productively.

Dull sales, and a difficulty of obtaining the payment of petty debts, is very often erroneously attributed by merchants and tradesmen to a scarcity of the circulating medium:—what they require is, a consumption brisk enough to keep up prices and quicken sales. "Ask them what peculiar circumstances and causes facilitate the demand for their commodities, and you will soon perceive that most of them have extremely vague notions of these matters. Customers cannot buy with money, without having first procured it by the sale of some other commodities of their own. A Farmer will buy more or less, according to the abundance or scantiness of his crops. It is not money that people want, but commodities or capital. If you cannot find a ready sale for your commodities, will you say, it is merely for want of a vehicle to transport it? for money is but a mere agent of transfer. Thus to say, that sales are dull, owing to the scarcity of money, is to mistake the means for the cause. Sales are dull, not because money is scarce, but because other products are so. Those who wish to buy, have nothing wherewith to give in exchange. There is *always* money enough to conduct the circulation, and mutual interchange of values, when those values really exist. Should the increase of traffic require more money to facilitate it, the want is easily supplied, and is a strong indication of prosperity,—a proof that a great abundance of values has been created. When money is in demand, it soon pours in, for this reason, that all produce naturally gravitates to that place where it is most in demand. It is a good sign when the business is too great for the money. When a superabundant article cannot find a sale, scarcity of money has nothing to do with it. Money performs but a momentary function,—it is always plentiful when there is a brisk circulation of commodities, the want of which is the cause, and not the effect of what is vulgarly called scarcity of money."—*Say, vol.* 1. *p.* 164.

The truth then is, that we only hear of a scarcity of money, &c. when trade is dull, when sales are very reduced in amount,—that is when there is a comparative abundance of the circulating medium, that material having less business to perform: on the other hand, when sales are brisk, it has more business to perform; yet we do not *then* hear of a scarcity of money, but that money is plentiful: hence it is not money or a circulating medium that is wanted, but rapid sales and a brisk circulation. Indeed it is surprising, that there should be found men who advocate an increase of currency. I rejoice to find support on this head, from a writer possessing so much experience, and such a vigorous intellect as Mr. Colebrooke. "The paper currency" says he, "as already intimated, *over-abounds*. It was issued in excess, under a *mistaken view* of the interests of the colony; and though the population, &c. have increased, the paper money still continues to be *greatly in excess* above the wants of circulation. This truth is proved by two very decisive facts, independantly of the presumption arising from the *price of bullion and rate of exchange.*

"Those facts show conclusively, that the greatest part of the paper money is actually *not in circulation,* but set apart and laid by in public and private coffers. The deposits in the bank amount to more than 1-3rd of the whole quantity of paper money; more than 2-3rds consist of notes of a large denomination, larger than are suited to the purposes of a circulating medium, and larger than are now actually seen in currency." *

The reader will not fail to perceive, that in the present instance, Mr. Colebrooke considers the *high price of bullion and the rate of exchange,* as a *presumption* that the paper currency is *redundant,* consequently the high premium must be nominal only.

If the circulating medium be really *scarce,* this inconvenience is very easily remedied, by re-stamping 100,000 Rix-dollar Notes, of 1000 Rds. each, *into* notes of 1, 2, 3, 4, 5, and 10 Rix-dollars.

" The best stimulus of useful circulation," says M. Say, " is the natural wish of all classes to incur the least amount of interest upon the capital embarked in their respective undertakings. Circulation is more apt to be interrupted by obstacles thrown in its way, than by want of proper encouragement. Its greatest obstructions are wars, *oppressive duties, restrictive enactments,* &c. It flags under the general dread of arbitrary *exactions,* when every one tries to conceal the extent of his ability. Under such circumstances, there is no circulation but of such produce as cannot be kept without danger of deterioration. If the national money be *depreciated,* it becomes an object to get *rid of it in any way,* and exchange it for commodities. This was one cause of the prodigious circulation that took place during the progressive depreciation of the French *assignats.* Every body was anxious to find some employment for a paper currency, whose *value* was *daily evaporating;* it was only taken to be re-invested immediately; on that occasion men plunged into commerce of which they were utterly ignorant,—manufactures were established, houses repaired and finished; no expenses were spared, until at length all the value each individual possessed in assignats was finally consumed, invested, or lost altogether.

* This was the case at one time; but the paper *restamped* within the last 6 or 8 years, is of a small denomination, consisting chiefly of 1, 2, 3, 4, 5, 10, 20, 50, and 100 Rds. which must greatly affect the circulation.—The paper (I mean the material) and the stamp, is disgraceful to the Government. Surely Government might, if it chose, introduce better materials. There can be little doubt, that forgery exists to a considerable amount.

It is thus that individuals have no desire to retain paper which yields no return, and which is daily becoming of less and less value."

From what has been said in this and in the preceding Section respecting the primary causes of the depreciation of the Colonial Paper Currency, it must, I should think, appear evident to every impartial person, that the causes assigned by Mr. Trotter, as productive of its diminished value, are correctly stated, only in the sense pointed out in these Sections. Indeed, perhaps, the only *real* difference between us, is, that Mr. T. assigns to the causes he has pointed out, a more important influence than the Author of these pages is disposed to allow.

SECTION VIII.

On the nature and tendency of bank loans: *the Expediency of annihilating a Portion of the Paper Currency, conformably to the "solemn Guarantee" of the Government, to that effect;—including some Observations on the impracticability of "maintaining the Value" of a Paper Currency,* that is in Excess, *of the wants of the Circulation,* except *by the issue of Bills, at a* fixed *Premium, sufficient to absorb the whole Value, disposable for Remittances.*

The preceding Sections have been extended to a much greater length, than the Author originally intended. The subject has dilated itself, in spite of his endeavours to compress it, within the narrowest limits; and yet there is nothing that he could withdraw, which in his estimation would not materially detract from the force and fulness of the facts, which have been adduced in support of the principles which he has advanced.

I purpose in this last Section, to offer some observations on the nature and tendency of bank loans; the advantages which would result from an improved system of banking, or from remodelling that now existing; and to suggest some measures for restoring the value of the currency.

Mr Trotter's Memoir contains many excellent observations and suggestions, relative to banking,—and the means of improving the productive industry of the colony. On these subjects, however, I have dwelt but slightly; both, because I do not pretend to be so conversant with the principles and details of banking as Mr. Trotter, and I do not possess the requisite extent of statistical information, to enable me to afford to the public such details, as it would be useful to them to obtain, or gratifying to myself to be able to communicate. On this subject, too, I could add but little to what Mr. Trotter has said, (though I do not coincide in all his opinions concerning rent and labor ;) and there is reason to suppose, that that Gentleman's Essay will soon be published. But though I differ from Mr. Trotter in several important particulars, still the merits of his labours are not less conspicuous than the justness of his views, in regard to the true interests of both the government and the people.

The capital of a country consists not of the circulating medium, but of material products, of fixed tangible property, such as machinery, houses, furniture, farms, slaves, cattle, ships, implements, raw and manufactured produce of every description,—these constitute what are called riches or capital; but strictly speaking the terms are not synonimous. Riches comprehend all that is useful and delightful to mankind, and include every thing that contributes to private or personal enjoyment. Under the term, capital is generally understood, that proportion of a mans property, which he employs in the active acquirement of an income, either by lending it upon interest to be employed by others, or engaging with it in commerce on his own account. In the latter case, whatever is expended in the purchase of stock—in the payment of the wages of labor, and of all other charges, is strictly speaking, called capital. Capital can only be acquired by parsimony, or the saving from daily consumption. If every farmer, merchant, and laborer, were to consume the profits of their own employments, there could obviously be no accumulation of capital; for capital is an accumulation of these profits,—the aggregate of the savings of many generations. Hence the greater the profits and the greater the savings of individuals, the more rapid is the accumulation of capital, that is of some of the products above mentioned; for unless something is reserved from daily consumption, and incorporated into a permanent form, no new Colony can ever increase in wealth. Increase of national wealth then, implies increase of individual riches,—of fixed and tangible products,—either an increase in the number of wealthy individuals, or an increase of wealth among those individuals who previously were wealthy, or it implies both. Wealth then does not consist in the money that circulates in a country, for the value of all the fixed and tangible property of every description in Great Britain, exceeds 3,000 millions sterling,—but the money in circulation does not exceed 20 millions sterling.

The value of all the fixed and tangible property in this colony, which constitute the wealth of individuals, exceeds 60 million of dollars, but the money or rather the circulating medium does not exeed 3,100,000. The interest of money then strictly speaking, is nothing else than the rent paid for the use of a certain portion of fixed and tangible property, such as machinery, labor, cattle, &c. &c. and although mainly regulated by the rate of the profits of capital, it often exceeds this limit, and indeed includes the premium of insurance, which depends on the degree of security presented to the lender. Interest then is the rent paid for the use of capital. But capital does not of itself yield any return or product whatever; it is not active but passive. The profit of capital is the fruit of industry, it is the product of the extra exertion of the borrower. The rate of interest is larger, in proportion as the supply of capital available for loans, is less, and as the demand of capital for that specific object is greater; and that demand is greater in proportion to the more numerous and more lucrative employments of capital. Hence in proportion as capital becomes abundant, compared with the multiplicity of employments for which it is required, the rate of interest becomes lower. The supply of disposeable capital however depends on the quantum of previous saving, and I apprehend that in this colony these have not been so great as they might and ought to have been. The facility of borrowing has a tendency to engender habits of extravagance; what is obtained with difficulty is preserved with care. When there is a demand for capital, there must of course be a demand for the material products which constitute capital; in short a demand for the product of the land and labor of the colony. A farmer seeks a *loan* of capital either to supply his personal wants, or to enable him to improve and extend his farm. A great foreign or internal demand for the produce of his farm stimulates him to extend his cultivation, and increase the quantity of his produce. It is this circumstance *alone* which indicates a *demand for capital,* and a bank loan enables him to obtain laborers, implements, cattle, &c. In process of time the produce realized from his increased industry, the reward of his productive agency, enables him to replace the loan of bank capital; and thus the capital of the colony is increased by the whole amount of the value incorporated in a permanent form, and also by the extended productive powers, added to the estate.

Between the demand for capital created under *such* circumstances, and the want of funds to feed extravagance and to pamper family pride, it is obvious, there is a very wide difference. In making advance to farmers and other individuals, a bank should carefully consider the circumstances of individuals, and the *general* state of the demand for capital. When the payments of loans are not regular, or when the borrowers find any difficulty in redeeming the bank loans, we may rest assured that the loans have been made without sufficient regard to these circumstances, and that the system under which such transactions take place is radically vicious.

When there is no effective demands for the productive employment of capital, in the sense just pointed out, the operation of credit *alone* cannot multiply capital, which consists of material products that cannot be in more places than one at a time, or be employed by more persons than one at the same identical moment. A loan therefore cannot add to the capital of a country, unless there be an increased demand for its produce or manufactures, and even then the only *agency* of the loan, is to set industry in motion; all that follows is the *fruit* of this industry. There might be a hundred or a thousand individuals possessing equal security and credit, but their applications could not multiply the volume of disposable capital, and could have no other effect, than to prevent other capital from remaining idle and out of employ. The effect of the banking system here, has however had the effect of throwing out of employment a great portion of the capital of private individuals. This must be the effect of any system the profits of which are appropriated not to production, but to the expenditure of government. The fact appears to be, that the loans are seldom redeemed at the expiration of the period for which they are granted. When the bonds fall due they are paid by " fresh loans that have a further time to run, and are negotiated with the deduction of discount. When the latter fall due they are met by a third set, payable at a still later date, which are discounted in like manner. If the bank discount such bills, the operation is no more than an experiment for borrowing of the bank in *perpetuity;* the first loan being paid with a second, the second with a third, and so on. And thus the bank experiences the evil of *issuing more of its notes than* the circulation will naturally absorb, and not being employed to circulate and diffuse *real* value, because they contain no value and being inconvertible, the necessary consequence is, that, they are multiplied beyond the wants of circulation, and become depreciated in proportion."

In these views I am fully borne out by the Report of the Commissioners appointed "to inquire into the State of the Loan Bank," dated the 18th January, 1808. In this Report, (pars. 8-9) "those who conducted the affairs of the Bank" are charged with having "either misunderstood the object of the institution, or having most erroneously deviated from the letter of their instructions;" but "whether they may have been biassed by partiality or not, is more than we have been able to ascertain,"—and they "cannot look with apathy and indifference on many great deviations which we find they have been guilty of;" and that "*no possible benefit could have been afforded to the Public by the Bank.* That of promoting trade and industry is wholly out of the question. *Temporary* relief, one of the primary objects of the institution, has been converted by the facility of obtaining renewals, into a sort of permanent loan." It is true this Report was drawn up in 1808,* but is the system essentially altered for the better? I maintain with Mr. Trotter, that the system is radically vicious,—nor can it well be otherwise.

Mr. Colebrooke seems to think, that the interest derived from paper money created for loans on mortgage, might be an unexceptionable source of benefit to the Government, while *the paper bore no discount.* I admit there may be circumstances, to require the aid and authority of Government in support of such a measure; but there is hardly an instance, where Government has not abused its power, in interfering authoritatively with the currency, when not controlled or restrained by the dread of public odium. There is an inherent unfitness in a Government to execute the business of banking, in any degree consistent with the interest of the public: and there is no instance on record, where it has succeeded under an arbitrary Government. Circumstances of an urgent nature may render it necessary, that

* The Report is drawn up with a considerable degree of caution, and some degree of ability, and upon the whole, is highly creditable to the Commissioners. With this admission, however, it must be granted, that the Commissioners were not men of the first rate genius,—their views were confined,—of the nature, use, and circumstances which determine the value, of a circulating medium, they seem to have been deplorably ignorant. They ascribe a "scarcity of a circulating medium to the deplorable state of mercantile credit," and they offer, as a proof of this scarcity, "the absolute impossibility of effecting sales." I have shewn the origin of this error in the preceding Section.

loans should be granted to individuals, but these can only be of a temporary nature. It must always be the object of the colonial bank, to realise as much revenue as possible; and, consequently, that none of their capital should remain employed. It is not the *general state* of the demand for productive capital, that regulates the issues of a bank thus constituted; but really and truly how much revenue it may draw into the exchequer, which, as the directors well know, constitutes the only criterion of their merits in the estimation of their employers. But it is not on this ground alone that a Bank connected with, and depending upon, the local Government, is so highly objectionable. A revenue derived from such a source is preventive of the accumulation of capital. The capital of private individuals in the commercial and agricultural departments, is thereby rendered entirely unproductive. It is either sent out of the colony for want of profitable employment, or it is spent as revenue. Under such a system there can be no motive for accumulation, and it is an observation confirmed by the experience of all ages, that "facility of rendering sums, great and small, productive, operates as an incentive to regularity, industry, and public morals, and becomes the occasion of accumulating capital. Hence it is not *merely* that capital does *not* accumulate, but that what is created is consumed out of the colony; and the trade is often purely a remittance trade, for effecting the efflux of capital realized at the expense of the colony. Further, a great proportion of the surplus capital that is created annually, is consumed by government. The revenue drawn from the bank, amounts to 120,000 Rix-dollars. This sum if realized by private individuals, would probably be employed in some productive department, and would thus yield every year, a proportionate profit. But it is consumed unproductively by government, and is to all intents and purposes a loss of capital. Better that the government should raise the sum by taxes, than by imposing such a dead weight on the capital of the colony. Whether a bank could be established in this colony, altogether unconnected with the government, may perhaps be doubted. There can be no question, however, that a bank acting on independent principles, and whose existence would depend on the adoption of a good system of banking, would be more likely to produce public benefit, than one administered by government.

There is no want of individuals who possess capital sufficient to lay the foundation of a new bank, and who might be able in a short time to replace in the hands of government the capital advanced on loan for the inhabitants. One of the greatest evils attending the existing system of the bank, is, that nearly half the fixed and moveable property of the colony, is mortgaged to it, that is about thirty times the value of the capital lent. The evils attendant on the present system would certainly be greatly diminished, if, instead of appropriating the interest of the capital to its own purposes, government should apply it to the payment of interest on debentures on the principle suggested by Mr. Colebrooke and the author of the "State of the Cape." It is desirable however that government should not issue debentures for sums of a less amount than 500 Rix-dollars. In withdrawing any portion of the circulating medium, regard should be had to the wants of the circulation, which require chiefly notes from one rix-dollar to two hundred rix-dollars. The disadvantages attending this plan, is that it entails annually, a considerable item of expenditure, which might not always be realized from the loans at interest. If the debentures were convertible into currency, at the option of the holders, government might often be put to great difficulties. On the other hand individuals might often be subjected to loss, if they could not obtain money in exchange for the debentures, in which case they would sell at a discount.

Further, as it is to be presumed that the exchangeable value of the currency would be considerably augmented by any measure of this nature, the debentures would eventually be of a greater value than that of the currency originally given in exchange for them. However, there is no plan that is not attended with some inconvenience, and the only consideration is, what measure is least likely to be attended with immediate or remote inconvenience and difficulties. It only remains to offer a few desultory observations respecting the different plans that have been suggested, for remedying the disorders of the currency.

The subject naturally divides itself under five heads.

I. What were the precise views and intentions of the Dutch Government, previous to the invasion in 1806, with respect to the currency?

II. How far did the English Government come under an obligation to fulfil these intentions, either by implication or by express engagement?—or,

III. In the absence of express contract or engagement, what was understood at the time to be the meaning and intention of the contracting parties?

IV. Independent of any obligations, originating out of the terms of the Treaty of Capitulation, how far is the government bound, on considerations of a general nature touching the interests of the colony, to fulfil the engagements of the Batavian Government?

V. What amount of currency should be withdrawn from circulation and in what manner should this measure be effected?

First, it is by no means easy to ascertain what were the *intentions* of the Dutch Government, but we know what it was pledged and bound in justice to perform. Some notice on this subject may however be found in a proclamation by General Jansen, in 1804, in which allusion is made to the state of the currency and to some prospective arrangements for its amelioration. This measure appears to have been brought forward by the Commissioner De Mist, whose *minutes in council* on this subject, are alluded to in that proclamation, and will doubtless be found in the Colonial Office. It is quite certain however that the Dutch Government intended to *limit* the amount of currency to 1,700,000, and had this plan been followed up, the premium on the exchange would have been uniform. The currency in circulation when the colony was captured, amounted to about 2,000,000 Rds. of which only about 845,000 Rds. were bank capital; the public were therefore debtor to the bank 845,000 Rds. and the government debtor to the public 1,155,000 Rds.

Secondly,—The British Government certainly came under an engagement "to maintain the value of the currency," but assuredly any measure that was calculated to alter that value was a breach of that engagement. Now, what measure was more calculated to produce this effect, than frequent issues of Bank notes, to the extent of 50 per cent. on the amount originally in circulation? I will not assert that the British Government was bound to *liquidate* the currency, though it was *promised* that this measure should be recommended to His Majesty's Government at Home. In fact, if the currency had retained its value in circulation, there would have been no necessity for paying it off; and it is not improbable, that had no addition been made, the discount would not have exceeded 25 per cent. in reference to gold and silver. Though I concur in most of Mr. Colebrooke's observations respecting the currency, I am by no means prepared to say with him, that the British Government *is bound* to fulfil the obligations of the Dutch Government, in virtue of any *express* or implied engagement to that effect; but I am clearly of opinion, that if such a measure be necessary for the good of the Colony, Great Britain is responsible to see that a portion of the Colonial Revenue should be set aside for the gradual redemption of the whole, or part of it.—On this head, too, some information may be obtained from the Report of the Bank Commissioners already referred to. They allow that the Colonists stipulated for, and obtained a security from the British Government, for the paper money in circulation, on the Public Buildings and Government Farms. They add, "this security was, of course, considered a sacred pledge by the British Government, and at the time of the evacuation remained entire and unalienated."

Thirdly,—As to the intention of the contracting parties, there can be no doubt that when the successive creations of the paper money took place, under the Dutch Government, a promise of redemption was held out, and one main object of the Commissioner De Mist's visit to this Colony, was, to inquire into and correct abuses, and to adopt measures for improving the circulating medium and fulfilling the engagements of the Government to the Public. But the truth probably is, that when the Treaty of Capitulation took place, the contracting parties on the British side, at least, did not attend much to the intent or latent meaning of the expressions used, or the promises made, relative to the currency; a fact which is, I think, sufficiently clear from the vague and indefinite terms in which the article respecting the currency is worded. Leaving this question to H. M.'s Commissioners, I proceed to inquire,

Fourthly,—Whether, independent of any obligation originating out of the terms of the Treaty, the Government is bound, on *considerations of a general nature*, touching the interests of the Colony, to fulfil the engagements of the Batavian Government, and to liquidate the whole, or only that portion of the currency added to the circulation since 1806. Here, then, are two distinct questions: and it is, I think, on the grounds just mentioned, and with reference to this principle only, that the statesman and political economist should decide.

Whatever doubts may be entertained as to the obligations of the British Government to liquidate that portion of the currency issued by the *Dutch* Government, there can be none in regard to its obligation to redeem that portion of it issued *since* the capture of the Colony. Without entering into extended discussions on this subject, it will be sufficient to quote the last Proclamation respecting the creations of currency by Sir John Cradock. The following is an extract from one of these, dated in March, 1814:—

"Whereas it appears, that in the year 1804, a sum of 75,000 Rds. was created and advanced *by the Batavian Government*, to the Inhabitants of Stellenbosch, for the special purpose, to repair the damages occasioned by a fire in that village, and which money was to be repaid by instalments of 3,000 Rds. per annum: And whereas according to a *Proclamation of the Governor and Council, of the* 30*th September*, 1804, such sums were to be publicly destroyed. Whereas therefore, to *fulfil the Resolutions of the former* Government, and to observe with the most scrupulous faith, *all* provisions respecting the paper currency of this Colony; I do hereby direct and command, that all instalments hitherto accrued, to the amount of 24,000 Rds. shall be publicly destroyed, and that the same shall continue annually, till the whole sum of 75,000 Rds. be expunged from circulation."

It is clear that the British Government considered itself bound to fulfil *some* of the obligations of the Dutch Government, and as all its obligations were equally valid, it necessarily follows that the British Government was equally pledged to the fulfilment of all its obligations. It is evident, then, that the British Government considered itself bound to appropriate the revenue and interest derived from the works, (for the construction of which the paper was created and issued,) to its redemption and extinction;—instead of which the provisions on this subject, have been unaccountably, I will not say most reprehensibly, evaded. Let the reader carefully peruse the following proclamation by Sir John Cradock, and say on what grounds can the Colonial Government be justified in not having fulfilled the obligations thus clearly and unequivocally expressed.

"Whereas it was notified by the Proclamation of the 14th June, 1810, that the capital of the Lombard Bank should be augmented by one million of rix-dollars, at such periods as should be thereafter deemed most adviseable: and whereas it appears to me to be expedient, in addition to the sum of 900,000 Rds. issued to the Directors of the said

Bank, on the 14th June, 1810; 15th January, and 27th October, 1812; 21st January, and 23d August, 1813, to make a further and last advance to them of 100,000 Rds. in aid and *for the special purpose of carrying on the various Civil Buildings and other great improvements in Cape Town,* and throughout the Settlement. And

"Whereas it appears necessary to me to place the *repayment* of the several sums of money advanced by the Lombard Bank from the capital of 500,000 Rds. (the moiety of the 1,000,000 Rds. adverted to in the foregoing Proclamation of this date) allotted to the *erection of Civil Buildings,* and the execution of other required improvements throughout the Colony, upon an *assured* and *permanent* foundation:—And whereas upon the further and most extensive consideration of the whole subject, it appears to me adviseable to determine and make known, that *all* successive *repayments* in *any* shape, as they shall arise, and which will be duly urged to the utmost ability of all parties concerned, when paid into the Lombard Bank, shall be *immediately destroyed,* and carried to the account of *annihilation of the said* 500,000 Rds. created for those purposes: And whereas to accomplish this important and desired end, with as much *expedition* as is suitable to the case, in consequence of some portion of the public works, being from their nature unproductive, I deem it expedient to dedicate to the same design all the *future interest* upon the *first* 500,000 Rds. added to the funds of the Lombard Bank, by the Proclamation of the 14th June, 1810, which *interest money* will also be *successively destroyed,* until the *entire sum of* 500,000 Rds. created for Civil Buildings, &c. *be entirely effaced from circulation.*

"In pursuance, therefore, of the above intentions, calculated to inspire the utmost confidence in the paternal vigilance of H. M.'s Government over the future as well as the present interests of the Colony, I hereby direct and order, as the immediate instance within the power of the Colonial Government, that the first instalment of 15,000 Rds. recently paid by the Burgher Senate on account of the Water Works, should be publicly destroyed and erased from circulation.

"And whereas it appears *just* and expedient, that the Civil Buildings executed through the means of the 500,000 Rds. lately created, should be *hypothecated* to the general paper currency without adverting to the periods of creation.

I hereby further declare, that the said buildings are to be considered as hypothecated, but that the buildings and other works throughout the districts, and for which there will be a more specific taxation, should remain the property of those districts at the further direction of Government."

Circular.—" I am directed by His Excellency the Governor and Commander in Chief, to call to your most serious view and consideration, the subject of the advances made and to be still made, to the district of ***** for the erection of civil buildings, and the promotion of other objects of signal improvement, under contemplation.

" It forms a deliberation, that must as closely as practicable, be distinctly understood and acted upon between Government and you, on the part of the district; for however ardent Government will feel itself to improve this part of the Colony to the utmost of its power, and however necessary and desirable the objects in design must appear, yet it is indispensable to secure the re-payment of the sums advanced by the Lombard Bank within a suitable and just period, or the alternative can only be, to discontinue or give up these works. The Colonial Government has given to this subject the fullest and most anxious reflection; and to prove that it acts with the greatest solicitude for your prosperity, and to the utmost extent of its powers, His Excellency commands me to signify his intention to remit the interest of all monies so advanced, and that all the future payments will be received "as capital;" and in the *reduction of the debt* thus incurred, to be disposed of and *destroyed* as the Proclamation of this date directs; provided that it shall appear from your representation on the part of the district, in answer to this letter, that a reasonable and just engagement be maintained to repay the full amount of these advances by instalments, at times not too remote, and duly commensurate with the present and future circumstances of the District, under such further orders from Government as may appear necessary.

" I am directed also by His Excellency the Governor to communicate to you, that such Buildings and other Works as are the objects of the present arrangement, will, *after the full re-payment of the expenses*, be considered as the public property of the Districts, and subject to their disposal under the sanction of the Colonial Government. His Excellency is aware, that the subject will require great consideration and extensive arrangement; but the good faith of the District, and due gratitude to Government for the benefit conferred, cannot fail to produce a satisfactory conclusion.

(Signed) " H. ALEXANDER."

Now the question is, why were not these provisions fulfilled? What has become of the funds, realized annually, from the Public Works? And why have these not been appropriated to the purposes originally assigned? If the funds have been appropriated to the ordinary expenditure of Government, then it must appear either that the Revenue has diminished, or that the expenditure of the Government is greatly enhanced above its amount in 1814; and it will then deserve to be considered, whether such increased expenditure was justifiable, considering the paramount claims of the Public.* If any thing could add force to the guarantee here announced, it is to be found in the following extract from a Proclamation in June, 1822, from which all doubts as to the obligations of Government to redeem the currency must vanish. To be sure, this guarantee is now entitled to be considered a delusion, since it is no better than those pledged ten years ago.

" And, whereas, it having appeared to me to be desirable, and *consonant to that guarantee which the Colonial Government has given to the public*, relative to the issue, circulation, and *value* of the paper currency of this settlement, that a proportion of the quantity in circulation, shall be *from time to time* called in *and destroyed*,—I do hereby authorize H. M. Receiver General, not to place the paper currency he may receive for debentures issued under this proclamation, to the account of his treasury receipt; but to place it apart, and cause it to be publicly burnt and destroyed." From the observations elsewhere made, it will appear, that I do not consider the profits of banking, a legitimate source of revenue in this colony;' but the system, vicious as it is, would doubtless have been productive of *one* eminent good, if the profits had been applied to the redemption of so much of the paper, as was created subsequent to January, 1806. It is said, that the income which Government receives from the shambles, exceeds 50,000 Rds. annually; that derived from the water-works, and

* We may also inquire what has become of the surplus Revenue between 1806 and 1823, amounting to nearly 1,200,000 Rds.? It appears too, (*vide* page 109,) that during the years 1817-18, no less than 193,000 Rds. were made over to the Commissary General, and similar advances may probably have been made every year.

other public buildings. constructed with the funds *created* for the purpose, exceeds 200,000 Rds.; and there can be no doubt, that if the arrangement announced by Sir J. Cradock, and his predecessors, had been followed up, the currency would not have reached its present state of degradation. There were doubtless reasons, and perhaps good ones too, why these arrangements were not carried into effect. What these reasons were, we are left to conjecture, it being much easier to say what these were not. It is only to be regretted, that circumstances should have existed to render the gradual extinction of the paper, either inexpedient or impracticable; and in justice to the Colonial Government, we must presume, that its conduct on this head had the sanction of H. M. Ministers.

In regard to the expediency of withdrawing the excess of currency from the circulation, there seems to be but one opinion, even among that class of reasoners, who contend most inconsistently, that it is not depreciated from excess, and yet recommend a reduction in quantity. To deny that the paper is depreciated from excess, and that any evil has arisen from this cause, and yet with marvellous inconsistency to profess a disposition, and even an eagerness, to *reduce* the amount of currency in circulation, is a paradox which not even the most hardy veteran in polemics would venture to put forward. Yet Mr. Vansittart is an instance in point. He stoutly denied that the English currency was depreciated; and yet declared it expedient to return to cash payments without delay. "If there be depreciation of currency, why is it expedient to diminish its quantity? The larger the proportion of paper in circulation, provided that paper is equivalent to specie, the better. The quantity of undepreciated paper that can he kept afloat in the market, is the very test of its buoyancy." The effect of depreciation has been, that the rich have been made poor,—the creditor has been paid off with less than he lent,—the annuitant has sunk amidst the general rise, and he who sold his land for what was deemed an equivalent, has lived to see the price dwindle into less than half its value. These are surely evils of no ordinary magnitude, and it becomes the part of a Statesman to mitigate these as far as lies in his power. Certainly it is his duty *not* to heighten this unequality, by issuing more currency, either in loan or as expenditure. If Government cannot stem the torrent, let them at least not add to its force, by pouring fresh streams into the channel.

Every forced issue of paper-money can be considered as nothing less than "a direct fraud on every public and private creditor." This is admitted by the author of the State of the Cape in 1822.

The public was creditor in 1806, to the amount of 1,200,000 Rds. or £240,000, which is now dwindled to about £100,000, and the public is now creditor to the value of the whole currency *minus* the original capital of the Bank, equal to (3,005,276—*minus* 845,000) 2,160,276 or £150,000; whereas, had the rix-dollar retained its original value, the public would have been creditor to the amount of £432,053, the depreciation in relation to sterling valuation being nearly in the ratio of 43 to 15, or equivalent to a premium of 180. The public, therefore, has annually *lost* not only the difference between the value of the depreciated and undepreciated currency, but also the profit which individuals would have realized annually if the *value* of their incomes had continued uniform, and which would have been added to the capital of the colony.

Fifthly,—In regard to the necessity and expediency of withdrawing a considerable portion of the currency from circulation, there can be but one opinion held on this subject, by all who are not actuated by selfish and interested views, to seek a continuance of the existing system. It should be remembered, however, that no improvement in the circulating medium can produce any material alteration in the *real* course of exchange, which as has already been shewn, is regulated by the state of the trade. There would, however, be a very great *fall* in the *nominal* exchange, and in the nominal prices of all foreign and colonial produce, while the value of all fixed property would be greatly enhanced. The evils attending a depreciated currency, have been already pointed out. In this colony, it is not this evil alone the people have to contend against, but an accumulation of evils, which are daily acquiring fresh force; and till some remedial measures are adopted, the currency will become still further depreciated than it is, not by reason of the effect of over-trading and scarcity of bills, a fact no longer to be admitted. The question is, shall the Government retrace its steps, and overlook the inconvenience to which a reduction of the currency must necessarily expose some individuals, and more particularly *debtors*. Debtors to the bank would not be materially affected, if the loans had been limited to two years; but debtors of five or six years standing, must be materially affected, in the same manner in which the creditor has been affected by the fall in the value of the Rix-dollar. There are those, indeed, who oppose the reduction of the colonial currency on these grounds; to such reasoning I shall venture to oppose, and I should hope with success, that of a philosopher and a statesman of distinguished energy and talent, and who has ever fearlessly advocated the cause of justice and public honor. The speech from which the following passage is quoted, was delivered by Mr. Canning, when he opposed himself to the wretched system of Mr. Vansittart.

"In addition to these motives of policy, there are, as I have heard this night, not without astonishment and dismay, considerations of justice, which preclude any systematic reduction of the amount of our paper money. Such a reduction, it is argued, would change the value of existing contracts, and throw into confusion every species of pecuniary transactions, from the rent of the great landed proprietor, down to the wages of the peasant and the artizan. Good God! what is this but to say, that the system of *unredeemable* paper currency must continue for ever! what is it but to say, that the debts incurred, and the contracts entered into under the old established legal standard of the currency, including the debts and contracts of the state itself, are now to be lopped and squared to a new measure, set up originally as a *temporary* expedient, and that the sacredness of public faith, and the obligation of legal engagements, are to be conformed to the accidental and fluctuating derangement!

"If this be so, there is indeed no hope, that we shall ever return to our sound and pristine state. This objection is of a nature, to propagate itself indefinitely. Every day new contracts must necessarily be made, and every day successively, (*as it is of the essence of depreciation to go on increasing in degree,*) at rates diverging *more and more* from the real and original standard. Every day, therefore, must interpose additional impediments to a return to the legal standard. Never did the wildest and most hostile prophesier of ruin to the finances, predict that a time should come, when by the avowal of parliament, *nominal amount in paper*, without reference to any *real* standard value in gold and silver, would be the payment of the public creditor. But still less could it ever be apprehended, that such a system was to be built on the foundation of equity and right; that it would be considered as unjust, to give to the paper creditor the real value of his contracts in gold; but just to compel the creditor who had trusted in gold, to receive for all time to come the nominal amount, whatever that might come to be, of his contract in paper.

"This proposition appears to me, so monstrous, and shows so plainly, to what an extravagant and alarming length we are liable to be hurried, when once we have lost sight of *principle,* and given ourselves up to the *guidance of expediency*, that I am sure this house ought to lose no time in pronouncing its opinion, as to the maxims by which for centuries, the currency of this country has been preserved in eminent purity and integrity, and in declaring its determination, to acknowledge no others in the theory of our money system, and to look to a practical return to that system, not only as advantageous to the state, but as indispensible to its justice and honor."

With regard to a metallic currency, I am clearly of Mr. Trotter's opinion, that "a paper currency well regulated and on good security, is adequate to all the purposes of a circulating medium." The advantages of a paper currency have been pointed out in the first and second Sections, and I have shown that if it be limited in quantity, to the actual demand that will maintain its value, good security may be dispensed with. "The quantity of a circulating medium that can be employed in any country," says Mr. Ricardo, "depends on its value," and by whatever number of pieces of paper the quantity may be augmented or diminished, the demand continuing the same, this value will be diminished or increased;" and he adds "a circulation can never be so abundant as to overflow; for by diminishing its quantity, you will increase its value, and diminish its value by increasing its quantity. It is on this principle that paper money circulates, though it has no intrinsic value; yet by limiting its quantity, its value in exchange is as great as an equal denomination of coin or bullion in that coin. On the same principle too, namely, by a *limitation in quantity*, a *debased* coin would circulate at the value it should bear, if it were of the legal standard and fineness, not at the value of the silver or gold which it actually contained. Hence," says the same writer, "it is not necessary that paper money should be payable in specie, to secure its value,—it is only necessary that its *quantity should be regulated* according to the value of the metal which it is issued to represent. Dr. Smith appears to have forgotten his own principle, in his argument on Colonial Currency, and instead of ascribing the depreciation of that paper to its redundancy, he asks, whether *allowing* the Colonial securities to be perfectly good, a hundred pounds payable 15 years hence, would be equally valuable with a hundred pounds to be paid immediately? I answer *yes*, if it be *not* too abundant.—Finally," observes Mr. Ricardo, " a currency is in its most perfect state, when it consists wholly of paper money; but of paper money of an equal value with the gold which it is issued to represent."—It appears then, that the only indispensable properties of an efficient paper currency, are, that it should be so limited in quantity as to pass in circulation at an equivalent value with coin, and so *secured*, that it shall always be received as a *legal tender*, and that the faith of Government be pledged to the maintenance of its value, either by hypothecating property sufficient to redeem it if eventually recalled, or by a legal and formal guarantee to this effect by the British Government. It is to be observed, however, that no guarantee to this effect will long maintain its value *in circulation*, if it exceed the wants of the Colony, and the Government *does not* continue to give *specie* or *bills* in exchange for it, according to the value it was issued for. Indeed there can be little doubt that in 1806-10 it greatly exceeded in amount the actual demand, and therefore the only practicable means the Government had of maintaining its stipulated value above its natural value, was, by taking it in exchange for specie or bills at a fixed premium of 20 or 25 per cent. As soon as the Government ceased to act on this principle, the depreciation of the currency became rapidly perceptible; and even had no augmentation been made, the previously existing excess would have shewn itself in a rise in the exchange. If while Government received only a premium of 25 per cent. for its bills, and some of these, as has been asserted, were re-sold at 10 or 15 per cent. profit, there cannot possibly be a stronger proof of the paper being in excess, which excess would naturally show itself in the exchange as soon as Government should cease to endeavour to keep up its value by selling its bills at a fixed premium; or as soon as there ceased to be a sufficiency of bills in the market to absorb, at the given premium of 25 per cent. all the currency disposable for the purchase of bills;—and, as the quantity of rix-dollars for which products are sold or exchanged, depends entirely and solely on the proportion between the *value* of the commodities to be circulated, and the quantity of rix-dollars in circulation, the proportion of currency disposable for the purchase of bills, or which is the same thing, the paper prices at which commodities would sell, would exceed the natural prices in specie, in proportion to the excess of the whole circulating medium above the actual demand for it. Hence, then, a frequent consequence of an *excessive* circulating medium being maintained at a forced value, in the purchase of bills and commodities, exceeding that *natural level of value*, to which every medium must necessarily fall, when left to find that value by the only true test, namely, the extent of business which it is required to perform, must have been, that the premium fixed on government bills was often a minimum instead of a maximum, and that private bills sold often for more than government bills. Obviously, then, while the currency continued greatly in excess of the wants of circulation, the only means by which the government could maintain a *forced value,* above that limit or natural level of value, which every circulating medium necessarily acquires and preserves, independent of all extrinsic circumstances, was either by supplying so much exchangeable value in bills or in specie, as was necessary to absorb that portion of the currency (at its fixed valuation) disposeable for remittance. Now the portion of currency (or the value it represents) disposable for such purposes, or rather the *proportion of value* to be remitted by bills, depends mainly on the difference between the value of the imports and the value of the exports. Whatever this value is, if the rix-dollar be *equal in circulation* to 4 shillings, it is certain that no individual would give more than 500 Rix-dollars plus the cost of transmitting bullion, including freight, insurance, commission, &c. for a bill of £100; the single fact of his giving more is a conclusive proof of depreciation. The single fact of his putting a higher price, say 20 per cent. on his goods to cover the premium, is a clear proof of excess; for the very obvious reason, already stated, that the number of rix-dollars to be given in exchange for any commodity, depends upon the value of that commodity, compared with the value of the rix-dollar; and the value of the whole rix-dollars in circulation, is determined by the value of the whole of the commodities to be circulated. But the whole of the commodities to be circulated remaining the same, and if there was no more currency than was absolutely necessary to circulate these at the given value of 4 shillings, it is quite clear that the abundance of bills would increase the value of the currency only in so far as it might increase the quantity of commodities to be circulated, and the business of circulation by which its value is determined. Further the price at which the goods of one country sell in another can never greatly exceed the *prime* cost, plus the profit, freight, insurance, &c. What cost 6 Rds. in 1806-7 now costs 14, the rise of price of 135 per cent. is a real or a nominal rise. If it be a real rise of price then the real premium on a bill may exceed the cost of transmitting bullion, 100 to 200 per cent. which we know to be impossible. It must then be only a nominal rise of price arising from the fall in the exchangeable value of the rix-dollar. We know that had there been an increased demand for a circulating medium, the increased demand would necessarily have counteracted the effects of a demand for bills, the currency would have retained or even increased in value in circulation, and would at least have been of equal value with the coin which it represented. I repeat therefore that limitation in quantity is the grand remedy for restoring the value of a depreciated currency; that however solid the security on which a paper currency may rest, yet if it be not limited in quantity to the actual demand of the circulation, it must inevitably become depreciated,* though not an ounce of produce should be imported from England, nor a single bill be in demand; while on the other hand, with a circulating medium properly regulated, the premium on bills could not possibly exceed the cost of transmitting bullion, freight, insurance, commission, &c. For only let us reflect for a moment that whatever amount of, or value in specie, would be requisite to perform the agency of a circulating medium in this Colony, that a currency representing the same value, would perform the same business equally well. If £250,000 in specie or 1,000,000 Spanish dollars would answer this purpose, it is perfectly certain, that 1,250,000 rix-dollars at 4 shillings each, would answer the same purpose, and it is quite certain, that no more than 500 of these, plus the cost

* Vide "State of Cape of Good Hope in 1822," p. 37, where the Author admits that "an increase of rix-dollars though grounded on solid security, would infallibly depreciate *still further* the value of the rix-dollar and raise the exchange," and he admits (page 128) that "while the present amount of Cape paper currency remains in circulation, all hope of a *favorable abatement of the rate of exchange* appears visionary and groundless."

of transmitting bullion, would be given for a bill of £100. Now, for periods of limited duration, this value remains fixed or does not vary greatly on either side; but if while a value of only £250,000 or 1,000,000 Spanish dollars was required to perform the business of a circulating medium, the paper in circulation which originally represented this value was doubled, there cannot be a doubt that it would become depreciated. In short, to whatever extent the paper might be multiplied, it is certain that its aggregate value could not be increased, consequently the exchangeable value of each note would be diminished, with reference both to commodities and to specie. The Author of the "State of the Cape of Good Hope" justly observes, that an addition to the currency would depreciate still further the rix-dollar and raise the exchange, whence it might be concluded he would admit that a reduction of the currency would have quite an opposite effect, and would raise the value of the rix-dollar and lower the exchange in proportion. He also admits that the issue of 1,000,000 Rds. during the year 1811-14 was a measure of questionable policy, and was calculated to *raise* the exchange *against* the colony. Now, during this period the exchange *did rise* from 20 to 80 per Cent. How then is the assertion borne out, that this rise was owing to the excess of imports and the consequent scarcity of bills? for during 1811-14 the imports were, according to Mr. Milburne, *less* than during the preceding 4 years, when the exchange did not vary greatly from par. In my judgment these assumptions are contradictory. Further we are told, that, though an additional currency was not necessary at the time the last issue was made, yet owing to the increased population since 1814, the additional currency has become necessary. Now if this was the case, and since it is admitted that the exchange was raised, we should naturally expect to find it improving with the supposed increase of value, acquired by the increased demand for the medium of circulation; but no such thing, it has uniformly risen further and further in the scale of depreciation, and the impulse and facilities given to the circulation by the extended commerce of the colony, has served only to demonstrate that excess, which naturally forces it down to the level of value which it acquires from its own utility, as an agent to transfer. It may be laid down then as an indisputable principle, that a circulating medium limited to the actual demand for it, will retain its value without tangible security, because it derives that value from its own utility, as an agent of exchange; and when a currency is in excess, that is when the nominal value of the whole currency is greater than the value actually required to perform the business of circulation, no security however good and adequate will prevent its depreciation, unless the government at the same time continue to make it exchangeable for bills at a fixed valuation, and that these bills be always sufficient to absorb at that fixed valuation, all the value disposeable for remittances. This latter condition would however be indispensible, only as long as the paper was in excess, because it is the only means of rendering it really equivalent with the specie it represented, and of preventing it from falling to that level of value, which it would naturally acquire, if left to be determined by the actual and effective demand for it. With all due deference to the opinions and abilities of those gentlemen who have recorded their sentiments on the subject, I must be allowed to say, that these important considerations seem to have entirely escaped them, and in seeking for causes, to account for the rapid and incessant fluctuations in the value of the rix-dollar currency, excessive importation and the supposed scarcity of bills, were the only operative causes which seemed to them to offer a specious explanation. This error, too, pervades the report of the bank committee of 1808, and vitiates almost every conclusion which they draw. But even *they* express their decided opinion that the currency ought not to be augmented, though at the same time they assert, that a large "circulating medium is not liable to depreciation in the absence of all foreign commerce," which is just the same thing as to affirm, (since foreign commerce increases the number of exchanges, and of values to be circulated,) that by increasing the business of circulation, you *diminish* the value of the agent which performs that office. The Committee observe:

1. "It is very certain that the present scarcity is in a great degree the effect of adventitious circumstances, and it is to be hoped that the importations will greatly diminish, when the difficulty of obtaining returns is known in Europe; but the colonists must have the usual supplies to which they have been accustomed, cost what they will, and the premium on bills if it rises to 60 per cent. falls not on the importer but the consumer, consequently occasions a further reduction in the value of Cape currency.

2. "It is, we believe, a favourite and generally received opinion in this Settlement, that no sum of paper money in circulation can be too great, so long as sufficient real property can be found upon mortgage to secure the re-payment of it, and so far we think this idea may be correct, if it were possible to bring the Colony back to the old system of the Dutch E. I. Company, to reduce its consumption of foreign articles nearly upon a par with the public expenditure, and let these be supplied by Government on a similar plan with that of the Dutch Company, we then annihilate foreign commerce, and the paper currency will support its real value; and however great the amount in circulation, if it should at any time be found to exceed the sum required, by mortgages being redeemed, no injury or inconvenience can arise *from the destruction of such part* as may accrue of this capital created by the breath of Government, and supported without trouble or expense, leaving by this means no more in circulation than it can easily absorb. But in the present situation of this Colony, with a *very large balance* of trade against it, the policy of *filling the country with paper*, and driving as it were the specie or coin out of the Settlement, (the *invariable consequence* of loans upon mortgage) may well be questioned.* Means must be found to satisfy this balance, which is annually recurring, and may be said annually increasing. The money of the Society, that is the paper, is found inadequate for the purpose; the exports continue the same, and so does the public expenditure;—how then is the balance to be liquidated, except at the expense of the paper? and the *more we have afloat, the greater in all probability will be the sacrifice.*

3. "On these grounds we are decidedly of opinion, the true reason of the scarcity of the paper money may be considered as the effect of two different causes, namely, the want of means of a remittance, and the loss of mercantile credit, by which the circulating medium is on the one hand accumulating in the hands of individuals, without sufficient outlet to flow it back into circulation; and on the other hand, a large property is constantly locked up for want of that confidence between man and man, which is the life and soul of commerce.

4. "Proceeding to offer an opinion as to the best mode of removing those evils, the first object that drew the attention

* This *large* balance must have accumulated in less than two years, though the imports did not exceed one-third of the exports!

of the Committee, was the present system of competition for the Public Bills, which they are satisfied has an evident tendency to raise the premium, even beyond its natural level, to the great loss and frequent disappointment of the fair trader, and beneficial only to speculators and jobbers. The Committee have, therefore, no hesitation in recommending a maximum or fixed premium of 20 to 25 per cent. with the distribution in the hands of Government, as the most likely way to satisfy the public demand, consistent with the true interest of the Colony, and completely to do away the baneful practice of jobbing.

5. "It may be objected, perhaps, that Government by this means would submit to certain loss arising from the difference between the present premium and the maximum, particularly on such portion of their supplies as are furnished in some of the staple commodities of the Colony, such as butchers' meat and a few other articles. The Committee are aware of this, but are still of opinion that the maximum, on general principles, must or ought to have an equal influence on the price of *all* commodities, unless where its effects may be counteracted by partial combinations or a bad system of contracts."

It is very certain, that no nation can continue to import without payment, and the supposition of a constantly increasing premium, owing to a deficiency of bills, is not only theoretically false, but contrary to fact. Besides, no increase of premium could enable the Merchants to pay for their imports to liquidate these balances, because it would not increase the bills in the market. Further, the fact of a *scarcity* of money, that is, of a medium of transfer, implies that it is in demand. Now this demand would naturally enhance its value, and thus counteract the depreciation which is stated to have originated from the scarcity of bills. Further, the Committee admit the impolicy of "filling the country with paper, by granting loans on mortgages." Now, the *only* injurious effect of such policy, is to overload the circulation, and thereby *diminish* the value of the currency.

That this system *was* pursued we all know, the effect must be admitted; but if so, why is this effect ascribed to the balance of trade alone? Again, how is the balance of trade to be "liquidated at the expense of the paper currency," as the Committee affirm?" By "sacrificing a greater portion of paper;" that is, paying a higher premium.

right; that it would be considered as unjust, to give to the paper creditor the real value of his contracts in gold; but just to compel the creditor who had trusted in gold, to receive for all time to come the nominal amount, whatever that might come to be, of his contract in paper.

"This proposition appears to me, so monstrous, and shows so plainly, to what an extravagant and alarming length we are liable to be hurried, when once we have lost sight of *principle,* and given ourselves up to the *guidance of expediency,* that I am sure this house ought to lose no time in pronouncing its opinion, as to the maxims by which for centuries, the currency of this country has been preserved in eminent purity and integrity, and in declaring its determination, to acknowledge no others in the theory of our money system, and to look to a practical return to that system, not only as advantageous to the state, but as indispensible to its justice and honor."

With regard to a metallic currency, I am clearly of Mr. Trotter's opinion, that "a paper currency well regulated and on good security, is adequate to all the purposes of a circulating medium." The advantages of a paper currency have been pointed out in the first and second Sections, and I have shown that if it be limited in quantity, to the actual demand that will maintain its value, good security may be dispensed with. "The quantity of a circulating medium that can be employed in any country," says Mr. Ricardo, "depends on its value," and by whatever number of pieces of paper the quantity may be augmented or diminished, the demand continuing the same, this value will be diminished or increased;" and he adds "a circulation can never be so abundant as to overflow; for by diminishing its quantity, you will increase its value, and diminish its value by increasing its quantity. It is on this principle that paper money circulates, though it has no intrinsic value; yet by limiting its quantity, its value in exchange is as great as an equal denomination of coin or bullion in that coin. On the same principle too, namely, by a *limitation in quantity,* a *debased* coin would circulate at the value it should bear, if it were of the legal standard and fineness, not at the value of the silver or gold which it actually contained. Hence," says the same writer, "it is not necessary that paper money should be payable in specie, to secure its value,—it is only necessary that its *quantity should be regulated* according to the value of the metal which it is issued to represent. Dr. Smith appears to have forgotten his own principle, in his argument on Colonial Currency, and instead of ascribing the depreciation of that paper to its redundancy, he asks, whether *allowing* the Colonial securities to be perfectly good, a hundred pounds payable 15 years hence, would be equally valuable with a hundred pounds to be paid immediately? I answer *yes*, if it be *not* too abundant.—Finally," observes Mr. Ricardo, "a currency is in its most perfect state, when it consists wholly of paper money; but of paper money of an equal value with the gold which it is issued to represent."—It appears then, that the only indispensable properties of an efficient paper currency, are, that it should be so limited in quantity as to pass in circulation at an equivalent value with coin, and so *secured*, that it shall always be received as a *legal tender*, and that the faith of Government be pledged to the maintenance of its value, either by hypothecating property sufficient to redeem it if eventually recalled, or by a legal and formal guarantee to this effect by the British Government. It is to be observed, however, that no guarantee to this effect will long maintain its value *in circulation*, if it exceed the wants of the Colony, and the Government *does not* continue to give *specie* or *bills* in exchange for it, according to the value it was issued for. Indeed there can be little doubt that in 1806-10 it greatly exceeded in amount the actual demand, and therefore the only practicable means the Government had of maintaining its stipulated value above its natural value, was, by taking it in exchange for specie or bills at a fixed premium of 20 or 25 per cent. As soon as the Government ceased to act on this principle, the depreciation of the currency became rapidly perceptible; and even had no augmentation been made, the previously existing excess would have shewn itself in a rise in the exchange. If while Government received only a premium of 25 per cent. for its bills, and some of these, as has been asserted, were re-sold at 10 or 15 per cent. profit, there cannot possibly be a stronger proof of the paper being in excess, which excess would naturally show itself in the exchange as soon as Government should cease to endeavour to keep up its value by selling its bills at a fixed premium; or as soon as there ceased to be a sufficiency of bills in the market to absorb, at the given premium of 25 per cent. all the currency disposable for the purchase of bills;—and, as the quantity of rix-dollars for which products are sold or

But how is a higher premium to add to the number of bills in the market? At last, however, we get one glimpse of truth, the Committee add, and *mark* how important the observation, "the more (currency) we *have afloat, the greater in all probability will be the sacrifice;*" that is, the more currency that is thrown into circulation, the higher will be the *premium* on bills of exchange.

The terms "overtrading, loss of mercantile *credit, ruin* hanging over the Colony," (and *all* this from *excessive* importations alone,) have been a theme of repetition and declamation *every* year since the first month after the capture. What meaning our practical (not "scheming") financiers who *deny a redundant currency,* intend by these terms, it is by no means easy to discover. If there was a loss of mercantile credit, whence we would ask did it originate? The very circumstance of so much paper accumulating in the hands of individuals, is a proof of a great excess above the average and ordinary demands of the circulation, and must necessarily cause the most violent fluctuations in the prices offered for bills. The true cause of what appears to superficial observers, "loss of mercantile credit," will be found, as Mr. Say justly observes, to originate from the degradation of the national currency. "It occasions a violent dislocation of money prices, operating in a thousand different ways, according to the particular circumstances of each respectively, and thereby disconcerting the best planned and most useful speculations, and *destroying all confidence between lender and borrower.* Nobody will willingly lend, when he runs the risk of receiving a less sum than he has advanced; nor will any one be in a hurry to borrow, if he is in danger of paying more than he gets. Capital is consequently from productive investments; and the blow given to production by deterioration of the currency, is commonly followed up by the still more fatal ones of taxation upon commodities, and the establishment of a maximum of price." Though I cannot concur with M Say, in all that he says relative to the evils of a depreciated currency, in so far as they affect national production, (for if *avowed* and *open,* it tends to the advantage and *not* to the injury of national production,) it must be admitted, that it benefits one class of the community, at the expense of the other.

To assert that "the *want* of means of remittance, *(that is a scarcity of bills,)* is the cause of the *scarcity* of paper money," is an obvious fallacy,—since a scarcity (that is a difficiency) of a circulating medium, would naturally enhance its value in exchange. And as a certain sum in sterling valuation is to be remitted by bills, a smaller number of Rix-dollars would thus represent the equivalent to that value. Again, if we suppose, that the paper actually required for the *circulation,* consists of the *whole* currency, *minus* the quantity lying dormant in the hands of individuals, it must appear equally certain, that by destroying a portion of the colonial currency, you diminish the quantities thus absorbed by the circulation, and by individuals respectively, without diminishing their real value. The effect, too, of a judicious system of banking, would be always to limit the issues of paper to the actual demand of circulation ; in proportion as the deposits of individuals increased, the bank would extend its issues in other channels, and thus prevent a scarcity of money ; and in proportion as it discounted largely to some individuals, it would limit its issues to others. It is thus, that by a judicious system of banking, whether public or private, (interest being always allowed on deposits,) the circulation would never be stinted or overloaded, and the course of exchange would necessarily be more uniform, *because* as is observed by the author of the "State of the Cape of Good Hope," *the effect of excessive issues of paper, whether by the bank discounting largely, or by additions to its amount, is to afford greater means of purchase, without adding to the number of bills in the market.* Upon the whole, then, it must appear evident to any unprejudiced and disinterested individual, that the faith of the British Government being pledged to maintain the value of the currency, that obligation is, if possible, *now* much stronger, in consequence of the extraordinary additions made to it in 1811—14, and which the Government bound itself *to withdraw,* as soon as the objects for which it was created, should be accomplished. This circumstance singly, forms a *primafacie* case against the Government ; and when withdrawn, it will then be time for the injudicious advocate and apologists for the measure to argue, that the exchange has risen from excessive importations of produce, (an assertion sufficiently disproved,) and not from a currency depreciated from *over-issue.* As already stated, there are only two ways in which the Government can fulfil its pledge to maintain the value of the Rix-dollar, equivalent to that of the specie or coin it represented, either to limit its quantity in such a degree, as that it shall maintain that value which its utility as an agent of exchange would invest it with, (and we know that every medium of exchange, paper more especially, if limited in quantity, will be of equal value with the coin it represents,) and consequently there would be no occasion for pledges, securities, hypothecations, &c. which obviously have no *real* existence, and, therefore, imply nothing,—or for fixing a premium, because the premium on a bill for **£100**, could not under such circumstances exceed 15 or 20 per cent. at the utmost, and the paper prices of all commodities would then be in the inverse ratio of the number of commodities and exchanges, (the quantity of Rix-dollars in circulation being limited,) and in the direct ratio of the rapidity with which the money circulated. It is clear, that the inhabitants of any country might be doubled or trebled, without there being any necessity for an increase of a circulating medium; because, as society advances, the circulation of money becomes more rapid and efficient. Under these impressions, it is impossible not to acquiece in the views and opinions of the bank committee, (par. 4.) that a "maximum or fixed premium of 20 to 25 per cent. with the distribution in the hands of Government, was the most likely way to satisfy the colony." It is true, that some temporary inconveniences might have resulted from a steady adherence to this principle; but had it been adopted, Government would have escaped those embarrassments, in which it has been involved ever since, and which have implicated so deeply its character for "justice, honesty, and good faith." Not a single good reason can be assigned to justify so unprecedented—so unwarrantable, and so unnecessary a departure from those maxims of justice and policy adopted by Lord Macartney, and continued until 1811. The Bank Committee were perfectly aware of all the arguments adduced, as well as the influence used, to advocate a departure from that system, yet they considered themselves bound, and it reflects the highest credit on their honor and their judgment, that they recommended the continuance of a fixed premium, by which the Government would have maintained its honor, and the public would not have been defrauded. If a million of Rix-dollars had not been added to the currency, the premium could not possibly have risen to 200 per cent.; nor, subsequently to this increase, would it probably have exceeded 130, if the most unusual means had not been resorted to in withholding the public bills, till such tenders were made as suited the views of a few, whose interests were but too palpably identified with a high premium, and who consequently if they did not promote, did not prevent collusion to raise it to the utmost practicable limit. Yet this has been publicly ascribed to inordinate competition, though the facts, disclosed in the 4th Section, shews that the *supply* of bills has always exceeded the average demand, and by consequence the existing inordinate premium on the exchange, equivalent to a discount on the original value of the rix-dollar of 60 per cent. must have originated mainly from " a redundant currency," and partly from the collusion of interests already adverted to.

But though there exists no evident necessity for introducing a *metallic* currency into this colony, it does not follow that there should not be a return to the system of paying the troops in specie; and if a private Bank, with chartered privileges, were established, with *real* and *solid* securities, (being the accumulated capital of individuals), there need be no apprehension that the paper issued by the Government, if kept within proper limits, say 1,000,000 Rds. would ever become of less exchangeable value than the specie it represented. These suggestions, however, are made not from any very sanguine expectations, that such measures will be adopted, but chiefly to excite discussion on the subject, which may eventually lead to the most beneficial consequences to the colony at large. I have considered it proper, to dwell at some length on this part of the subject, because an opinion obtains among some individuals, that the value in circulation of the rix-dollar may have fallen, in consequence of there being no property hypothecated of sufficient value to redeem it. It is obvious, however, that no nominal hypothecation of property, as security for that portion of the paper-money which does not consist of Bank loans, could raise the estimation of the paper in a greater degree than the existing guarantee. In point of fact, a guarantee, whether solid or otherwise, to redeem the paper at a remote or indefinite period, is no real guarantee. If a period was fixed for the redemption of the rix-dollar currency at a fixed valuation, say of four shillings, it would no longer be a circulating medium in the proper sense of the term, but the rix-dollar notes would then become Government bonds, and, if payable in 10 years, *without interest,* they would pass at a discount, unless they continued to act as a circulating medium, because 4 shillings are now of more value than 4 shillings 10 years hence: hence it is evident, that such *bonds,* or treasury bills, without interest, payable in 10 or 20 years hence, would, on the principle explained by Mr. Ricardo, and Mr. M'Culloch, pass at a discount proportionate to their excess. These bonds would, in all respects, resemble the English Exchequer bills, which, (we are told by the author of the State of the Cape in 1822,) in proportion as they are largely issued, the premium lessens, and often becomes discount. In fact, if the mere hypothecation of property were sufficient to prevent the depreciation of the rix-dollars, Government might issue, to-morrow, two or three millions of dollars, and hypothecate all the public property in the colony;—but would this prevent the depreciation of the notes? Certainly not,—for if issued in excess, they would pass immediately at a discount, and even the payment of interest on these bonds, or notes, would not prevent this result, because the exchangeable value of the annual interest would diminish in the same proportion as that of the principal. In short, limitation in quantity is the regulating principle of a well-established currency; and no guarantee, solid or nominal, will prevent an excessive circulating medium from falling in value, unless the issuer continue to give in exchange for it, a value equivalent to that which it was issued to represent,—that it must incur a loss by doing so I will not deny, but it ought either to sustain that loss, or to withdraw the excessive circulation, and not leave the public to be defrauded, that the Government may not be compelled to reduce its expenditure. It is by no means easy to conjecture why Government should not have long since withdrawn and destroyed the 500,000 Rds. issued in 1814, for building public works, as there appears to have been a *surplus revenue* since 1814, of more than 800,000 Rds. It is not to be supposed, that the supreme authorities in England would have overlooked the circumstances connected with the colonial currency, had they been made fully acquainted with all the particulars; but, on the other hand, it is to be presumed, the Colonial Government considered a reduction of the currency, if practicable, to be inexpedient and unnecessary.

With respect to the amount of currency to be withdrawn from circulation, it would be premature to offer any decided opinion,—a gradual reduction of the currency would be the plan least likely to be attended with inconvenience; in which case, the exchange with England, and the price of bullion, would be a sure and certain index of the value which the currency might attain in the progress of any measures for its reduction. If a reduction to such an amount took place, as to render 8 dollars equivalent to a pound sterling, a great good would be effected without materially injuring debtors and mortgagees. Where the business of circulation is so small, and where the annual sales do not exceed 10,000,000 Rds. it seems probable, that, including the Bank capital, and other notes, a reduction of one-half the existing circulating medium would be sufficient to effect the desired object, in which case the value of the circulating medium, would be about one-sixth of the value of the whole circulating and floating capital of the colony.

The capital lent by the Bank, probably exceeds 1,500,000 Rds. and the public is therefore debtor to this amount: for the remaining amount of currency the Government is debtor to the public. *By calling in the Bank loans, without some previous arrangement for the institution of a new Bank, much distress would inevitably insue, and the mortgagee might be ruined past recovery.* This measure is therefore *not* to be thought of, till a new Banking Company is established, who would gradually advance *their own capital* in lieu of that lent by Government, and thus enable the latter to destroy the Bank paper, and expunge it from circulation. By this plan, however, the Government must be content to lose the income it derives from the profits of banking, amounting to about 120,000 Rds. annually; but under any arrangement, there would be either a diminished revenue or an increased expenditure; and it therefore becomes not merely a matter of choice, but a subject of important deliberation, which alternative shall be adopted.

It appears then, that the amount of currency in circulation may be reduced by either of the following measures:—

First,—A reduction of Bank capital, either in whole or in part, by calling in the sums lent to individuals and destroying the loans thus redeemed.

Secondly,—By borrowing funds, in other words by buying up the paper and issuing promissory notes, bearing a certain rate of interest.

Thirdly,—By annually *saving* from revenue, and devoting the bank profits and all other savings, to the annual extinction of so much of the paper currency, as exceeds the wants of the circulation.

Fourthly,—The establishment of a private bank, with chartered privileges, unconnected with, and independent of the government.

Fifthly,—The issuing of debentures, on the principle recommended by Mr. Colebrooke, bearing an interest of *five* per cent.

On these heads it is unnecessary to dwell at length: they are noticed solely with the view of exciting general attention and eliciting public discussion. It will belong to the Government, in concert with His Majesty's Commissioners, and under the sanction of the supreme authorities, to decide, which of the above plans may appear most reconcileable with the interests of the Government and the community at large. In their judgment the public will repose the most perfect confidence, and it cannot be doubted that His Majesty's Government at home, will readily accede to any arrangement calculated to forward the views and promote the interests of the agricultural and commercial community of this valuable colony. There are advantages and disadvantages incident to each of these plans, but all of them are bottomed on the principle of *saving from revenue.* If debentures or promissory notes be issued bearing interest, the latter must be paid out of the public revenue. If the bank capital advanced on loans, is to be redeemed by a chartered private bank, government will be deprived of its accustomed revenue. But if one million were withdrawn from circulation, and replaced by promissory notes or debentures not convertible into paper money, bearing an interest of 5 per cent. Government would be saddled with an annual charge of 50,000 Rds. to be defrayed out of the profits of the bank. If the whole profits of the bank should be applied to the extinction annually of an equal amount of the circulating medium, several years might elapse before any good effect could be produced; and remedial measures of an *immediately* operative tendency, are called for by the most powerful considerations of policy and justice. If however from 200,000 to 300,000 Rds. could be saved annually for 4 or 5 years, there can be no question that this would be the most desirable mode of redeeming the excessive currency.

It will have been observed, that there has been, since 1806, a surplus revenue amounting to more than one million of rix-dollars. It is to be presumed, that this sum has been transferred to charges payable out of the revenue of Great Britain, in which case, there can be but one opinion as to the propriety of its being refunded, and applied to the liquidation of that portion of the currency issued by the Colonial Government.

Finally, if the government should borrow £100,000 at 4 per cent. interest, in order to pay off any portion of the currency, and on the supposition that the rix-dollar would thereby become equal to 2s. 6d. sterling, the interest (£4,000) might be paid with about 32,000 Rds. which would not be a heavy burden on the colony, nor affect the real exchange with England. Measures might be taken also for paying off the principal by instalments in *excess* of the interest, and upon a full consideration of the subject in all its bearings, this would perhaps be one of the safest ways in which the remedy could be applied.* In this way the Government might be able to pay off 1,200,000 Rds. by bills on England, and pay the principal with something more than half the amount.

There are, however, so many objections to the Government continuing to appropriate to itself the profits of banking, and thus to drive capital out of the colony, or prevent its accumulation, that the remedy would not be *perfect,* unless these objections were removed. I repeat, however, that no remedial measure can ever be adequate, without a diminished expenditure on the part of Government. As to any increase of revenue being contemplated, such anticipation must prove entirely visionary. There appears to be no room for further taxation, and it must be presumed to be the desire of the Colonial Government to diminsh the pressure of the public burdens. Since 1818 there has been *no increase* of revenue, while the annual expenditure within the same period, has increased from 1,050,000 to upwards of 1,630,000 Rds.

Without a saving from revenue, duly appropriated to redeem the *solemn pledge of the Government,* to the public, there can be no reduction of the currency, and every scheme

* The effect of such a measure too, would be immediately to reduce the public expenditure, without reducing the revenue in the same proportion. From 350,000 Rds. the sterling salaries would be reduced to 200,000 Rds. and the exchangeable value of every branch of income would be proportionately augmented.

not founded on this principle, must prove "hollow and delusive; unequal to the dilemma; feeble in its plan; impotent in effect; and leading by a fallacious hope to an aggravation of the evils for which they are proposed to be a cure."

"The amount of rix-dollars (says a Civil Servant of this Colony) which has been issued by the Colonial Government, is still *due to the public.* It received value for the issue, and is bound to return it. The guarantee of the British Government, for that proportion which was in circulation *at the capture,* is not to be considered as a guarantee in words, but as a guarantee of effect; common *honesty* requires that this should be held sacred. It is mere justice to the public and to its own character, that the English Government should keep its faith and redeem its pledge." In these sentiments I entirely concur,—but it is difficult to reconcile these, with the avowal subsequently made, that a *reduction* of the currency would be no less "feeble in plan" than "impotent in effect,"—since the only way in which Government can redeem those pledges on which the author of the "State of the Cape" lays so much stress, and which he so earnestly inculcates, is, to withdraw from circulation the paper issued by Government, and for which it "received value" from the public.

THE END.

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ERRATA

For the first Four Sections.

Page.	Line.	
9	35	For " of it had," *read* " if it had."
14	28	For " ubstitutes," *read* " substitutes."
37		The reference to appendix A to be omitted.
40	8	20- 26, For " 100 per cent." *read* " 50 per cent."
	27	For " 80 per cent." *read* " 30 per cent."
45	9	For " depreciation," *read* " depression."
47	19	For " not already," *read* " already."
51	15	For " 52d." *read* " 53d."
53	40	For " from 8 to 12 per cent." *read* " 4 to 5 per cent."
54		*Note*—For " extra cargo," *read* " entire cargo."
58		At the end of the note *read* " this objection, however, applies to India only."
40	14	For " when the currency," *read* " to what would be required when the currency."
74	10	Omit " is."
	33	After " stead," *read* " is estimated after."
87	16	For " the depreciation," *read* " the term depreciation."
89	1	Omit " at."
91	18	For " seemed," *read* " seem."
93	24	After " 1800," *read* " Mr. Barrow."
93	31	For " 1600," *read* " 800."
94		Third line from bottom—for " in," *read* " on."
95	13	For " returns," *read* " profits."
89	17	For " use," *read* " rise," &c. &c.
137	35	For " insufferable," *read* " insuperable."